Reserves Policy

Version 5

This policy applies to all NCLT settings.

CONTENTS

1 Introduction 3
2 Definition of Reserves 3
3 Policy Statement 4
4 Managing Reserves 4
5 Use of Reserves....5
6 Monitoring and Reporting 5
7 Compliance and Transparency 5
8 Review of the Policy 5
9 Links to other documents 6

1 Introduction

1.0 The purpose of this policy is to set out how New Collaborative Learning Trust (the Trust) intends to manage its reserves responsibly and in accordance with the Department for Education (DFE) Academies Trust Handbook. This policy ensures financial stability and long-term sustainability, while supporting strategic priorities.

2 Definition of Reserves

2.0 Reserves are that part of the Trust's income that is freely available to spend on any of its charitable purposes. This excludes restricted funds, capital funds, and committed funds where the Trust has committed a specific project allocation (Designated Reserves).

The Trust's statutory accounts include Unrestricted Funds, Restricted Funds, and Restricted Fixed Asset Funds.

2.1 Unrestricted Reserves

Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the Trustees to support the objectives of the Trust. Unrestricted reserves include self-generated funds.

2.2 Restricted Reserves

Restricted Reserves are funds where the nature of expenditure has been defined by the donor (including grants and donations).

Restricted Funds held by the Trust include:-

- Restricted Revenue Fund, includes, for example, DfE revenue funds (General Annual Grant, Pupil Premium, Teachers' Pay Grant, etc.); local authority (EHCP grants, etc.)
- The cash element/capital reserve of the Restricted Fixed Asset Fund, such as the DfE Capital funds (e.g. School Condition Allocation (SCA), Condition Improvement 'Fund' (CIF) and Devolved Formula Capital (DFC).

2.3 Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in support of any of Trust's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained and will be derived from unrestricted or restricted funds where applicable and permitted.

2.4 Pension Reserves

Pension Reserves this reserve reflects the surplus or deficit on the defined local authority pension scheme. The presence of a surplus or deficit does not constitute an immediate liability or realisable assets and does not mean that the equivalent amount is already committed or no longer available. The presence of a pension surplus or

deficit will generally result in a cash flow effect for the Trust in the form of an increase or decrease in employers' pension contribution over a period of years.

All Trust revenue and capital expenditure must be compatible with the Trust's Charitable Objects, which are set out in NCLT's Articles of Association

3 Policy Statement

3.0 The Trust aims to maintain a level of free reserves that is sufficient to:

- Provide financial stability and a buffer against short-term financial risks.
- Support strategic objectives and planned investment.
- Cover unexpected emergencies or opportunities.

4 Managing Reserves

4.1 All reserves will be reviewed by the Trust on a regular basis and an appropriate range of options will be considered which might include releasing the funds into the revenue budget or budgeting in-year surplus and deficit budgets to support some aspect of the objectives of the Trust.

4.2 The Trust has a responsibility to hold reserves that mitigate potential risks against short-term reductions in funding and/or income which would financially impact the cash flow of the Trust. The revenue used to calculate the percentage of reserves is all funding plus generated revenue but excluding capital and Private Finance Initiative (PFI) funding. The level of reserves that will be held by the Trust is between 6% - 10% of total annual income which provides a healthy financial balance as described by the National Audit Office and Public Accounts Committee.

4.3 The minimum level of 6% has been set to approximately 1 month of staffing costs. This is considered appropriate given the short-term predictability and risk related to income flows of the Trust. Any Trust reserves above 6% will be categorised into the criteria noted in section 5. This level will be reviewed annually by the Trust Board.

4.4 **College and School Reserves (including new schools that have joined the** Trust**)**
The Trust considers College and School Reserves as notional and the Board of Trustees will redistribute or utilise reserves in excess of 6% from colleges and schools as it deems appropriate to support the objectives of the Trust, subject to the restrictions of funds which will remain attached to Restricted Funds (Revenue and Capital) and their use.

All Trust settings are expected to set and maintain balanced or surplus in-year budgets where costs are met from income in a given year. College and school budgets should be set to achieve and maintain reserves levels as set out in this policy. When below the required threshold, a three-year business plan should be produced which demonstrates achievement of, or progression towards, this requirement. The Trust may agree, by exception, to allow settings to run deficit in-year budgets subject to the provisions noted in section 5. If in-year deficit budgets

are agreed, the college or school must demonstrate a coherent plan for achieving a balanced budget within 3 years in line with these reserves' requirements.

4.5 **Colleges and schools leaving the Trust.**
Should any school or college have to be re-brokered then their notional reserves would be calculated at the time of leaving. Any internal debts would have to be repaid prior to them leaving the Trust.

5 Use of Reserves

5.1 Reserves may be drawn upon in the event of:

- Unexpected loss of income or increase in costs
- Strategic investment opportunities (e.g., capital projects, school improvement, Trust growth)
- Emergency funding requirements.

Any planned use of reserves will be approved by the Trust Board and reported to DfE where required.

Use of Reserves by Chief Executive Officer

5.2 The Trust's Chief Executive Officer is authorised to utilise up to £100,000 each school year from the Trust's reserves without prior Board approval. This authority is subject to the limitations and conditions set forth in this policy and the provisions detailed in section 5.

6 Monitoring and Reporting

6.1 The Chief Financial Officer (CFO) will monitor the level of reserves and report regularly to the Finance and Resources Committee. An annual review will be included in the preparation of the Trust's budget and financial statements.

7 Compliance and Transparency

7.1 The level and use of reserves will be clearly stated in the Trust's annual report and financial statements, with justification where reserves fall outside the target range, in accordance with the Charity SORP and DfE requirements.

8 Review of the Policy

8.1 This policy will be reviewed at least annually by the Finance and Resources Committee and approved by the Trust Board.

9 Links to other documents

NCLT Financial Regulations
NCLT Cash Investment Policy
Charities Commission guidance:-
https://www.gov.uk/government/publications/charities-and-reserves-cc19
Academies Financial Handbook:
https://assets.publishing.service.gov.uk/media/66a3909aab418ab055592dda/Academy_trust_handbook_2024_FINAL.pdf
DfE guidance: https://www.gov.uk/government/publications/managing-academy-trust-reserves/academy-trust-reserves--2

Equality Impact Assessment (EIA)

Name of the policy: - Reserves Policy

Date of Review: - 26.10.26

This **EIA** is completed to assess the impact of a policy, procedure or practice on people with protected characteristics and to demonstrate that the Trust has considered the aims of the Public Sector Equality Duty (PSED).

Could the policy have a differential impact on stakeholders with protected characteristics?
The **Protected Characteristics** are:

- Sex
- Race
- Religion or Belief
- Sexual Orientation
- Pregnancy and Maternity
- Age
- Disability
- Marriage and Civil Partnership
- Gender Reassignment; or
- Other potentially vulnerable groups.

Protected Characteristic	Impact (P = Positive, N = Negative)	Reason
Sex	**P**	**The policy applies equally regardless of sex and provides a transparent framework for allocating financial resources across the Trust. No differential impact identified.**
Race	**P**	**The policy is applied consistently across all schools, colleges and stakeholders regardless of race. Resource allocation decisions are based on organisational need and strategic priorities rather than personal characteristics.**
Religion or Belief	**P**	**No aspect of the policy disadvantages or favours individuals based on religion or belief. The policy supports equitable access to Trust resources**
Sexual Orientation	**P**	**The policy applies uniformly and does not contain provisions that could result in differential treatment based on sexual orientation.**
Pregnancy and Maternity	**P**	**No adverse impact identified. Financial sustainability arrangements support the continued operation of educational services and employment practices across the Trust.**
Age	**P**	**The policy does not differentiate on the basis of age and supports the effective deployment of resources for the benefit of all learners and employees.**
Disability	**P**	**No adverse impact identified. The policy supports financial planning and investment decisions which may facilitate reasonable adjustments and accessibility improvements where required.**
Marriage and Civil Partnership	**P**	**The policy applies equally and contains no provisions that could result in differential treatment based on marital or civil partnership status.**
Gender Reassignment	**P**	**The policy applies consistently to all individuals and does not create any barriers or differential treatment relating to gender reassignment.**
Other potentially vulnerable groups	**P**	**The policy supports the effective and transparent use of Trust resources for the benefit of all learners and staff, including those who may be disadvantaged or vulnerable. No negative impacts identified.**

Equality Declaration

The policy holder stated below has taken all reasonable efforts to give due regard to any impact this policy or practice has on people with protected characteristics. Where a negative impact has been highlighted above any further actions taken are shown below.

Detail of any specific actions taken to reduce any impact highlighted above (if required)	**No negative impacts have been identified through this assessment. The policy establishes a transparent and objective framework for the management and use of reserves across the Trust. Decisions relating to the allocation or redistribution of reserves are made in accordance with the Trust's charitable objectives, strategic priorities and financial sustainability requirements rather than personal characteristics. The policy will continue to be reviewed periodically to ensure compliance with the Public Sector Equality Duty and Equality Act 2010**
Policy Holder Title	**Chief Finance Officer**
Date	**26.10.26**