Reserves Policy

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Introduction

The Board of Trustees is able to hold reserves to further the Trust's charitable aims.

The Trust is required by the Academy Trust Handbook to have a Reserves Policy in place. In addition to the Reserves Policy the Trust needs to explain their plan for surplus funds in their annual report and accounts. Trusts hold reserves for various reasons including cashflow, contingency, planned investment and growth.

The DfE does not set a required level of reserves, this is decided by the Trust who should hold an appropriate level of reserves linked to the individual circumstances and priorities of the Trust. In June 2025 the DfE updated its practice guide on Managing academy trust reserves. A link to this is provided below:

https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-reserves

It should be noted that GAG funding is provided to schools within Trusts on a lagged basis and therefore funding received for an academic year relates to numbers on roll within the school in the previous October. This can have a significant impact if there are material fluctuations in pupil numbers between those who have left the Year 6 cohort and those which have come into the Reception cohort. Trustees therefore feel it a priority to strike a balance between the benefit of current spending alongside the risks associated with financial forward planning and financial sustainability.

The Trust's funds are allocated to individual schools within the Trust, excluding the restricted fixed asset fund and the pension reserve. However, there is no central endowment and all funds held by the Trust are contributed by the schools within the Trust. Therefore, should a school go into deficit, it is effectively being funded by all other schools within the Trust.

Relationship between Extol Trust and its Schools

Trustees are mindful of the Academy Trust Handbook and the requirement that GAG funding should be spent on current pupils.

However, Trustees are also aware of significant volatility in the funding of education. As an Academy Trust, the Board of Trustees are responsible for managing the fluctuations in financial fortunes.

Individual schools within the Trust are expected to set a budget each year using the GAG and other grants (e.g. Pupil Premium & Early Years Funding) and matching expenditure to that income.

Reserves at the end of each year are generally held in support of but not restricted to:

- Contribution to capital projects planned or in development (e.g. Contribution to CIF bid)
- Linked specifically to each School Estate Development plan as agreed with the Trust Estates Manager
- Anticipated downward movements in pupil numbers (e.g. low cohort going through all school years)
- Financial commitments made but not yet come to fruition (e.g. IT Infrastructure work)
- Investment in future educational initiatives (e.g. Targeting improvement in a specific area)
- Cash flow requirement (e.g. Due to lagged funding such as Pupil Premium)
- Setting aside funds for a forthcoming change in legislation (e.g. National Insurance Contributions)
- Uncertainty in national funding arrangements and subsequent protection levels (e.g. National Funding Formula).
- Spending needs for future plans which may not be met by a single year's income (e.g. ICT equipment refresh).
- Financial pressures outside of Trust control (e.g. LGPS & Teacher superannuation employer contribution rates/ Energy Price rises)
- Contingency against unforeseen events e.g. Premises repairs

When considering individual Schools' budgets, the Local Governing Bodies may propose setting aside a budget to build up such reserves for purposes above. In subsequent years the school would then plan to set a budget using such a reserve for the purpose previously identified. Ultimately as the final approver of the individual School's budgets the Trustees will be responsible for acceptance of the plans. They will need to assess whether they allow access to the individual School reserves as they have the responsibility of securing the financial stability of the Trust as a whole.

Associated Support & Workings

As a continuing requirement in the most recent Academy Trust Handbook the Trust must prepare budget monitoring reports on a monthly basis including cash flow forecast. Such reports are to be provided to the Chair of Trustees. To increase transparency, Extol Trust provides such reports to all Trustees on a monthly basis via Trust sharing platform and discussion occurs as a standing agenda item at each meeting of the Trust Full Board.

During the budget setting process each School is provided with an in depth financial forward planning budget, alongside an associated report which looks at the budget projections for the next 3 financial years. Such reports look in depth at appropriate class sizes in line with pupil number projections and allow the Trust to plan fixed term/ permanent staffing contract arrangements.

In addition to the above the Trust has to submit on an annual basis a Budget Forecast Return (BFR) which details forecast reserves per each School and Trust's Central Location on a 3 year projection. This return allows the DfE to question contingency plans when required and provide the Trust with Resource Management guidance.

Within the budget workings the Trust is able to work out how much a School has been over/under funded based on live pupil data within the October census count for the current academic year.

Such reports and information can then be used as evidence to support the appropriate reserves to be held by each School within Extol Trust.

Level of Reserves (Individual Schools)

As Extol Trust only uses one bank account this reduces the cash flow risk to specific individual School.

Extol Trust fully appreciates the variable nature of school funding and the nature of the Trust operating across various different Local Authorities and educational sectors.

The Trust believe that the preferred reserves to be held by an individual School is 5% - 10% of budgeted income or £60,000 whichever is greater. But it must be acknowledged that each individual School within the Trust will vary in terms of forward projections. For academic year 2025/26 this would equate to limits as per the below:

Location	Budgeted Income 25/26	5%	10%
CLA	£2,278,395	£113,920	£227,840
EGA	£2,980,650	£149,033	£298,065
NIS	£1,246,535	£62,327	£124,654
NJS	£1,545,310	£77,266	£154,531
ROS	£3,246,764	£162,338	£324,676
RSB	£2,331,447	£116,572	£233,145
SPR	£3,588,912	£179,446	£358,891
THO	£2,086,994	£104,350	£208,699
	£13,447,599	**£672,380**	**£1,344,760**

It should be noted that in addition to the figures above the Trust would also perform a lagged funding analysis per school to analyse over/under funding implications. For example, Thorntree Academy could be holding reserves of £104,350 and setting an in year net nil neutral budget – yet be overfunded by 15 pupils between October census counts. In this example detailed workings would be provided to the school to ensure an in year surplus budget is set alongside a recovery plan – this will ensure that the school does not fall below the reserve level above in future years when subsequent reduction in pupil numbers falls into GAG allocation.

The Central Finance team prepares detailed budget monitoring reports for the Full Board at Trust level and for the Local Governing Body of each individual School. This is in addition to the monthly reports already stated within this policy. Discussion will also take place over forecast pupil numbers which is the main driver in future levels of GAG irrespective of national funding formula.

Where reserves held cumulatively are higher than the targeted range, discussion will be facilitated to understand why this is the position, the reasons behind it, alongside any corrective action plans if indeed required. Such action will include consideration of such reserve levels via the Trust Board. When the reserves held at school level are lower than the targeted range, plans need to be put in place in both the short and long terms in order to rectify the situation and bring such reserves back to the required level.

On an annual basis within the Annual Accounts, the Trustee Report will identify the financial year end reserves level and policy in place. It will detail specific circumstances within each School as to the level of reserves held.

Level of Reserves (Overall Trust)

In further consideration of the above Extol reserves will be held at a minimum combined level of one month’s worth of annual budgeted salary expenditure. Based on the 24/25 agreed budgets this equates to £1,259,058.