

TITLE: Reserves Policy	REF:	VERSION: 2
APPROVAL BODY: ALET Trust Board	DATE: 16.10.25	REVIEW DATE:15.10.26
LEAD PERSON: CFO		
VERSION	REVIEWER/APPROVAL	REVIEW NOTES
1. 16.10.25 New Policy	Finance Committee/Trust Board	Updated

1. Purpose

This policy outlines the approach of the Academy Trust to managing financial reserves. Its purpose is to ensure financial stability, support strategic planning, and safeguard the Trust's ability to deliver high-quality education in the face of financial uncertainty or unexpected events.

2. Legislative Framework

In accordance with the Academy Trust Handbook 2024, the Board of Trustees is required to:
Establish a reserves policy as part of its financial management responsibilities.
Clearly explain the policy in the Trust's annual report.

3. Policy Objectives

The Trust aims to maintain an appropriate level of reserves to:
Mitigate financial risks such as:
Reductions in government funding
Unexpected drops in pupil numbers
Delays in funding receipts
Emergency or unplanned expenditures
Ensure continuity of operations and educational provision
Support strategic investment in facilities and educational improvement

4. Principles for Holding Reserves

The Trust will:
Maintain a prudent level of usable reserves to cover unforeseen financial challenges.
Balance the need for financial security with the imperative to invest in student outcomes.
Regularly review reserve levels to ensure alignment with the Trust's strategic priorities.

5. Determining Reserve Levels

The Trust will maintain reserves at a level that ensures financial resilience while enabling effective use of public funds to support educational outcomes. To achieve this balance, the following principles will guide the determination of reserve levels:
Minimum Reserve Threshold: The Trust will maintain a minimum reserve equivalent to 5% of its annual General Annual Grant (GAG) funding. This ensures a basic financial buffer to manage unforeseen circumstances without disrupting core operations.
Maximum Reserve Threshold: The Trust will not hold reserves exceeding 10% of its annual GAG without a clearly defined strategic purpose. Any reserves above this threshold must be earmarked for specific projects or future commitments and approved by the Board.

Additional Considerations:

One month's salary expenditure across the Trust

The Trust's annual operating budget

Planned capital investments or major maintenance projects

Anticipated changes in funding, including the expiry of transitional protections

Forecasted income and expenditure over a rolling three-year period

Reserve levels will be reviewed annually and adjusted as necessary to reflect changes in financial risk, strategic priorities, and regulatory expectations.

6. Monitoring and Reporting

The Chief Finance Officer will report reserve levels to the Board through regular financial updates.

Reserve levels will also be reviewed annually by external auditors and disclosed in the Trust's financial statements.

The Board will assess whether reserves remain appropriate and take corrective action if necessary.

7. Use of Reserves

Reserves may be used to:

Address short-term cash flow issues

Fund emergency repairs or urgent capital needs

Support strategic initiatives aligned with the Trust's improvement plan

Any planned use of reserves must be approved by the Board and clearly documented.