



Policy: Reserves Policy

Policy reference no: 054

Date: September 2025

Person responsible for policy: Stephen Dean, Chief Executive Officer

Authorised by: Board of Trustees

Review date: December 2026

This Policy applies to all academies within the Primary QuEST Multi-Academy Trust. Primary QuEST is a Church of England Trust which seeks to ensure all pupils flourish, together in a supportive and caring environment.

Flourishing together through LIFE

Reserves Policy

Principles

The purpose of the reserve policy is to ensure the stability of the Trust's organisational operations, to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital.

Restricted Reserves

Restricted reserves are represented by the main income for the Trust which is General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements or donors instructions.

There is a percentage carry forward of GAG restricted funds which is calculated at the year end and can be used for future years mainly for capital and a small percentage for operational purpose.

Unrestricted Funds

These are made up of the Trust's activities for generating funds, investment income and other donations which are expendable at the discretion of the Trustees in furtherance to achieve the objectives of the Trust.

These funds will be reviewed regularly by the Trustees and General Purposes and Finance committee and are obtained through one off donations and are generally built up over time from fund generating activities and investments.

Capital Reserves

Capital restricted reserves represent the value of all fixed assets. These are therefore not cash reserves but represent the depreciated value of the building and its capitalised contents.

Pension Reserves

The Trust is confident that it will meet the required pension contributions from its projected income without significantly impacting on its planned level of charitable activity, it continues to calculate its 'free' or general unrestricted reserves without setting aside designated reserves to cover the pension liability.

Pension reserves represent the Trust's share of assets in relation to the local government pension scheme. For most schools this will be negative reserve as the schemes are largely in deficit. This figure, although worked out by the local authority's actuaries is a notional figure, and should not be included when assessing the level of free reserves, as the debt is unlikely to crystallise.

Annual Review

The review will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The level of reserves will be determined by Trust Board annually and can fluctuate depending on operational needs but the Trustees have determined that schools should have 5-7% of the general annual grant (GAG) held in free reserves, defined as being free cash available for operational purposes. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

All reserves are reported and reviewed regularly at management meetings and expenditure from reserves approved by the Trustees.

Use of Reserves

1. Identification of appropriate use of reserve funds

The Trustees and staff (CEO, Trust Business Manager) will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

2. Authorisation of use of reserves

Authorisation to use reserves of any kind will be made by the Trustees and the CEO, at the next available meeting the approval should be noted in the minutes.

3. Reporting and monitoring

The Trustees are responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the Trust will maintain a record of the use of the funds. The General Purposes and Finance Committee should regularly monitor the progress of the reserves.

Review of Policy

This policy will be reviewed by the General Purposes and Finance Committee every three years or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the General Purposes and Finance Committee to the Trust Board.