Lisle Marsden Church of England Primary Academy

Reserves Policy

Effective Date: January 2026
(adopted by Governors)

Review Date: January 2027

Contents:

1. Purpose

The purpose of the reserves policy for Lisle Marsden Church of England Primary Academy is to ensure the stability of the academy's operations whilst making sure there is a clear vision for the use of the trust's reserves. Maintaining an appropriate level of financial reserves is considered essential in protecting the school from financial risk. This is balanced with ensuring there is a clear plan for surplus reserves that may have accumulated and how this will be utilised for the future development and operation of the trust.

2. Definition and Goals

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the academy's primary objective is preserved. At the same time the Trustees wish to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

In deciding the level of reserves trustees will take into account the following

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Fluctuations in pupil numbers
- Cash flow issues due to delays in funding
- The academy's annual and forecast budgets
- Standards of attainment and associated staffing
- Additional educational resourcing to support standards/curriculum development

The academy recognises that holding excessive reserves could be seen as inefficient use of public funds and therefore aims to strike a balance between financial prudence and effective use of resources.

3. Restricted and Unrestricted Reserves

Restricted reserves are represented by the main funding for the academy which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

Unrestricted reserves are made up of the academy's activities for generating funds, investment income and other donations which are expendable at the discretion of the governors in furtherance to achieve the objectives of the school.

The trustees have determined that the appropriate level of restricted and unrestricted reserves to be help for non-earmarked expenditure should equate to around 15% of all revenue income. This should provide sufficient working capital to cover delays in the receipt of grants and to provide a cushion for unexpected emergencies.

4. Use of Surplus Reserves

The academy is currently holding reserves around the amount determined above. The trust has considered the planned use of these reserves and how they link to the academy's strategic and investment priorities and has determined their use as follows

- Contingency for future change and uncertainty
- Growing savings for planned investment and improvement into the academy's infrastructure to deliver the academy's capital and estate strategy
- For strategic growth and development which includes the academy's curriculum vision

Surplus funds held for future projects and developments will be invested in accordance with the trust's investment policy.

5. Use of Reserves to Balance In-Year Budgets

Where the trust is unable to balance its budget in-year then the trustees have agreed that the use of surplus funds may be used. However, approval of the budget with an in-year deficit will only be granted where it is accompanied with a three to five-year plan that clearly shows how the academy will return to an in-year balance position.

6. Local Government Pension Fund Deficit

The trust board have assessed the risks around the potential repayment of any local government pension deficit and have considered the crystallisation of the deficit to be low. As a result, no reserves are being held to repay the deficit. The DfE paper (see link below) has helped to inform the assessment of the risk. The risk of repayment of the local government pension fund deficit will be regularly monitored.

https://www.gov.uk/government/publications/academies-and-local-government-pension-scheme-liabilities/dfe-local-government-pension-scheme-guarantee-for-academy-trusts-pensions-policy-for-outsourcing-arrangements

7. Reporting and Monitoring

The trustees are responsible for ensuring that the level and use of reserves is monitored. They will do this by the receipt of financial reports prepared by the Academy Business Manager at the Finance committee meetings.

8. Review of Policy

The policy will be reviewed every year or sooner if warranted by internal or external events or changes. The Governing Body must approve all changes.