

Reserves Policy

Approval Date – June 2026

Review Date – June 2027

1. Aims and introduction

Westfield Academy is responsible for the effective and efficient use of resources. This statutory policy sets out the Academy's approach to the management of financial reserves.

The aim of this policy is to ensure that the trust maintains appropriate levels of reserves to support its financial stability, to:

- Meet the needs of its pupils, its educational objectives and long-term sustainability
- Give confidence to the public, stakeholders and regulators that the trust's finances are being properly managed
- Provide accountability for the trust's use of public funds
- Provide an indicator of future funding needs and overall financial resilience

This policy is in line with the following guidance:

- Department for Education (DfE): [Academy Trust Handbook](#) and [Academy trust reserves guidance](#)
- Charity Commission: [Charity Reserves: Building Resilience](#)
- Charity Commission: [Charities Statement of Recommended Practice \(SORP\)](#)

1.1 Definitions

Reserves are defined as the part of the trust's unrestricted income fund that is freely available to spend on any of the trust's purposes, often referred to as 'free reserves'. They represent the funds available to the trust once all liabilities have been met, including unspent funds from previous years. Reserves are freely available to spend on the trust's purposes, as follows:

- Restricted funds:
 - Funds received for a specific purpose (for example, capital grants), which can't be used for general expenditure and are not included in reserves
- Reserves:
 - Unspent General Annual Grant (GAG)

1.2 Purpose of reserves

Reserves are held to:

- Provide financial stability and ensure the trust can operate effectively in times of unforeseen difficulty
- Manage the financial impact of fluctuating pupil numbers
- Cover short-term funding deficits, for example where funds may need to be spent prior to receipt of grant funding
- Support strategic investment in educational improvement and infrastructure
- Prepare for commitments, such as major asset purchases, which cannot be met by future income alone
- Comply with obligations set by the DfE and the Charities Commission

2. Reserves level

2.1 Calculation of reserves

The following are excluded from reserves:

- Tangible fixed assets such as land and buildings
- Programme-related investments held solely to further the trust's purposes
- Designated funds set aside for a specific purpose
- Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation may be applied
- Commitments that have not been provided for as a liability in the accounts

The trustees have considered the following in determining the minimum level of reserves:

- Income and expenditure forecasts for current and future years
- Analysis of any future needs, opportunities, commitments or risks, where future income may fall short of anticipated costs
- An assessment of the likelihood of a future funding shortfall and the reserves required to mitigate this risk

2.2 Level of reserves

Westfield 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.

The trustees have determined that the appropriate minimum level of reserves held should be equivalent to:

- A minimum of 5% of general annual grant (GAG)

2.3 Monitoring and review

The board of trustees will regularly review this target level, identifying any trends in spending, to ensure it remains appropriate and to rectify any concerns. The trust will take into consideration

- Known and potential risks (for example, pupil number fluctuations, changes to funding)
- Future plans, including anticipated capital expenditure and projects
- Financial forecasts and projected income/expenditure

Reserves will be reviewed at least termly by the business committee and annually by the full board of governors as part of the budget setting and financial planning process. This review will include:

- An assessment of current reserves against the level agreed
- An analysis of the reasons for any significant difference
- A forecast of future reserve levels
- Consideration of any new risks or opportunities that may impact reserves
- Recommendations for designation or release of funds

Where reserves are below target or exceed target, the board of trustees will consider whether this is due to a short-term situation or a longer-term issue. A broader review of finances and reserves will be undertaken if necessary.

3. Use of reserves

The Business Manager will provide regular reports on the levels and use of reserves as part of management accounts.

Reserves may be used to:

- Support cash flow during delayed funding
- Fund strategic initiatives such as school improvement or expansion
- Respond to emergencies or urgent capital needs
- Support capital funding bids

Any planned use of reserves that would reduce the balance below the minimum reserve level set by the trust must be approved by the governing board and supported by a recovery plan.

3.1 Investment of reserves

Any surplus funds may be invested, in line with our investment policy, our articles of association and in line with the requirements of the Academy Trust Handbook and Charity Commission guidance.

4. Reporting and transparency

The reserves position will be reported in:

- The trust's annual report and financial statements, in line with Charity Commission requirements, including:
 - An explanation of our approach to reserves
 - How and why reserves are held
 - Any designated funds in our reserves, their purposes and the likely timing of the expenditure
 - How our reserves support the trust's educational objectives

- The amount of total funds the trust holds
- The amount of any restricted funds
- Any amount that can only be realised by disposing of tangible fixed assets
- A comparison of the amount of reserves held with the reserves policy and an explanation of any discrepancy]
- Regular management reports to the trust board and finance committee
- If reserves are significantly above the target set, we will invest in facilities / resources, undertaking new projects in line with the trust's objectives]

5. Policy review

The overall responsibility for this policy lies with the board of trustees. The business committee will oversee the day-to-day management and regular monitoring of reserves.

This policy will be reviewed by the business committee annually, or more frequently if circumstances change.

The policy will be made publicly available on the Academy's website.