"Unlocking the Future"

TKAT Reserves Policy

Policy Level and Description:	1	TKAT Statutory Policy NO CHANGES TO THE CORE TEXT ALL Schools require a policy on this topic/area. Only changes to highlighted sections are allowed to the core text – changes will be limited to school name and very limited school-specific details - LGBs to adopt, implement and monitor this policy.	
Reviewed by: ***(Trust Officer)***	Alison Lochhead CFO	**Reviewed by:** ***(School representative)***	(name, role)
Approved by: ***(Trust Committee/Trust Board)***	FAPPP	**Approved by:** **(*LGB/LGB Committee)***	
Trust approval date: ***(dd/mm/yyyy)***	24/02/2026	**LGB/LGB Committee approval date:** ***(dd/mm/yyyy)***	
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Version	DATE	DESCRIPTION
1	February 2025	Revised policy
2	February 2026	Reviewed in line with The Key template policy

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The Keys Academy Trust is a primary based Multi Academy Trust. We are a family of distinctive schools at the heart of the diverse communities we serve. In line with our Christian ethos, we aspire to excellent learning and pastoral care for pupils and staff and are committed to being open and welcoming to all.

MANDATORY TRUST POLICY

All schools must adopt this policy. This policy is approved centrally and binding on the Local Governing Body's (LGB's) from the date of Board approval.

1. Aims and introduction

The Keys Academy Trust (TKAT) is responsible for the effective and efficient use of resources. This statutory policy sets out TKAT'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)

The policy applies to all schools within The Keys Academy Trust.

1.1 Definitions

Reserves are defined as the part of the trust's 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.

Revenue Reserves

There are three sources of revenue reserves:

Restricted Reserves

- Restricted reserves are those funds received by the school either from its main GAG funding, other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for use according to the funding agreements or donors' instructions.

Unrestricted Reserves

- These are derived from the school's activities for generating funds, for example extended services clubs, lettings and donations which are expendable at the discretion of the Governors to

achieve the objectives of the school. These funds will be reviewed regularly by the school's Finance Committee.

Designated Fund Reserves

- These are unrestricted funds that have been allocated by the Governors for a particular purpose.

Capital Reserves

Capital reserves are funds that are set aside specifically for long term investment or major capital projects

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. Management of reserves

The board of trustees has considered the purpose of the trust holding reserves and how much should be held to meet those purposes.

Each academy within TKAT is responsible for holding and managing its own reserves, subject to the trust's minimum reserve requirements as set out in section 3.2.

The trust will set a clear minimum and maximum level of reserves that each academy is expected to maintain.

2.1 Reserves on joining the trust

When a school joins TKAT a due diligence process will be undertaken to determine the financial position of the converting school.

All reserves held by the school, whether in a bank account or within a local authority, will be transferred to the trust. This includes both revenue and capital balances.

The trust will ensure that any restricted funds are used for the purpose for which they were originally intended.

The trust will work collaboratively with the joining school to ensure a smooth and transparent transfer of all financial assets and liabilities.

2.2 Reserves on leaving the Trust

If a school transfers to another trust, the school's reserves will be managed in accordance with the trust's legal obligations under the Master Funding Agreement and supplemental agreements.

Any funds that have been centrally pooled and managed by the trust for the benefit of all schools will remain with the trust. The transferring school's share of any central reserves will be determined based on the trust's internal accounting policies and will not be transferred to the new trust.

Any operational reserves held by the school that are not part of a central pooling arrangement may be transferred to the new trust at the discretion of the TKAT board of trustees, subject to any legal or regulatory requirements.

The trust's Chief Financial Officer (CFO) will oversee this process to ensure a fair and equitable settlement.

3. Reserves level

3.1 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 for TKAT:

- 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

3.2 Level of reserves

TKAT 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 at each school within TKAT should be equivalent to:

- A minimum of 3 % of general annual grant (GAG)

3.3 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:

- The size of the trust
- The circumstances/complexity of each of the trust's schools
- 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 FAPPP committee and annually by the full board of trustees 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.

Capital reserves

- Each school should propose a capital reserve budget to the LGB identifying the need to replace assets and the related sums required.
- The Governors should agree the value of capital reserves to be created in a year as part of the budget approval process.
- Spend of the capital reserve fund should only occur as agreed budgeted spend which is approved by the Governors as part of the budget process.

4. Use of reserves

Academies may spend from their reserves, subject to approval through the usual Trust budgeting and reforecasting processes. The Chief Financial Officer (CFO) will provide regular reports on the levels and use of reserves as part of the 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 trust board and supported by a recovery plan.

The trust remains legally responsible for all reserve funds, regardless of their being held by individual academies, and may direct the use of reserve funds in exceptional circumstances.

4.1 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.

5. 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 FAPPP committee

6. Policy review

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

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

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

7. Links with other policies

This reserves policy is linked to the following:

- Scheme of delegation
- Finance Manual
- Investment policy