



Reserves Policy

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1. Introduction and Background

Orchard Community Trust Board is responsible for the effective and efficient use of available resources in order to achieve our moral purpose of ensuring that all children and young people in our schools achieve their very best.

Working together, we enable everyone to flourish through high-quality education (“Flourish Together”), underpinned by our values of Courage, Unity and Equity.

These responsibilities are outlined by the Charities Commission in their published guidance:<https://www.gov.uk/government/publications/charities-and-reserves-cc19>

The Board is responsible for the allocation of resources to deliver the Trust’s vision and mission

This policy aligns explicitly to the Trust’s Board Assurance Framework (BAF), particularly:

- **R7 – Financial Sustainability**
- **R8 – Financial Control & Fraud**

Ensuring reserves are managed within a robust strategic risk framework.

2. Principles and Purpose of this policy

The policy is based on the following principles:

- Transparency, fairness and clarity
- Drawing on best practice and in line with regulations
- Clearly linked to our vision, moral purpose, MAT and school strategic priorities
- Use of funds is focused on improving quality of education and outcomes
- Ensuring the Trust operates as a going concern.

Purpose of the Policy:

The Trust’s reserves policy:

- Supports delivery of strategic priorities
- Informs budget planning at school and Trust level
- Enables informed investment decisions
- Identifies and mitigates financial risk
- Ensures that reserves are actively deployed to maximise impact on pupil outcomes, particularly for disadvantaged and SEND pupils
- Minimises financial risk without retaining excessive reserves.

3. Application of the Policy

When considering an appropriate level of reserves, the Board considers:

- The risk of an unforeseen emergency or other unexpected need for funds
- Variability in income
- Planned commitments and capital projects
- Cashflow timing differences
- The full range of financial risks identified within the BAF.

4. A Balanced Budget

Schools must set and maintain a balanced budget annually.

Accumulated reserves may be used in line with:

- This policy
- Financial Regulations.

5. Definition of Reserves

Restricted Reserves: Funds received for specific purposes and used in accordance with funding conditions.

Unrestricted Reserves: Funds that may be used at the discretion of Trustees.

Designated Funds: Unrestricted funds allocated for specific purposes.

6. Maintaining a minimum/maximum level of reserves

Primary Schools should aim to retain 6% of reserves in relation to their total Income Special Schools should aim to retain 8% of total income.

The minimum level of reserves is ultimately limited by the need to maintain a positive net assets position for the Trust.

The Trust will:

- Maintain a minimum aggregate reserve of 7% across the Trust
- Maintain a central contingency fund of up to £500,000.

The central contingency will be used for:

- Emergency financial support
- Risk mitigation
- Strategic growth and investment.

Reserves Thresholds and Triggers

Position	Trigger	Required Action
Below minimum	<6% / 8%	3-year recovery plan required
Above expected level	> agreed thresholds	Investment plan required
Rapid decline	>2% reduction YoY	CFOO review
Excess reserves	Sustained over threshold	Potential reallocation

Where reserves fall outside thresholds:

- Schools must submit a 3-year recovery or investment plan
- Approved by CEO and CFOO
- Reported to Audit, Risk & Resource Committee.

7. Additional funds available to support individual schools

The Trust supports schools in delivering their development plans.

Where reserves exceed thresholds:

- Schools must submit a business case
- Trustees may reallocate excess reserves where appropriate.

Where reserves fall below thresholds:

- Maintain Trust-wide minimum reserves
- Provide a recovery plan within 3 years for individual school.

8. Schools joining the Trust

Schools joining the Trust with excess reserves must:

- Agree a plan to bring reserves within thresholds
- Ensure funds are used to improve outcomes.

9. Monitoring and Reporting

Monitoring and reporting will operate at three levels:

Operational (1st Line)

- Monthly management accounts
- School-level monitoring

Management (2nd Line)

- Termly reporting to:
 - Audit & Risk Committee

Independent (3rd Line)

- External audit
- Internal audit programme

Annual Reporting includes:

- Level of reserves
- Target reserve range
- Plans to achieve target levels
- Review frequency.

Benchmarking:

The Trust will benchmark its reserves position annually against:

- DFE data
- Similar MATs
- Sector expectations.

10. Pensions Liabilities

The Trust will consider:

- Impact of pension deficits/surpluses
- Future contribution requirements
- Affordability within projected income.

This applies to LGPS only (Teachers' Pensions are underwritten by Government).

11. Governance and Accountability

Trustees

- Approve policy
- Provide oversight

CEO

- Strategic allocation of reserves

CFOO

- Operational management
- Financial reporting
- Compliance

School Leaders

- Ensure compliance
- Deliver financial plans.