LIGHTHOUSE
SCHOOLS PARTNERSHIP

RESERVES POLICY
Non-Statutory

Policy Approved by the Board of Trustees	
Signed: **Name: Adele Haysom** **Chair of Board of Trustees**	**Date: 11 August 2026**
Authorised for Issue	
Signed: **Name: Gary Lewis** **Chief Executive**	**Date: 11 August 2026**

Document History

Version	Author/Owner	Drafted	Comments
1	Louise Malik	June 2023	Separated from Principal Accounting Policies
2	Louise Malik	August 2024	Amended to reflect updated financial strategy
3	Louise Malik	August 2025	Scheduled review
4	Louise Malik	August 2026	Additional review in light of financial position and support fund

Review cycle	Every Two Years
Review date	August 2028

This policy applies to all schools and employees within the Lighthouse Schools Partnership.

This policy remains valid, and in operation, until a new or updated policy is published.

RESERVES POLICY

Non-Statutory

Aims

1. The reserves policy is designed to recognise that all schools within the Trust, and the Central Team, have a collective responsibility to utilise reserves for the maximum benefit of all pupils in the Trust.

2. The reserves policy also aims to:

   2.1. Support the Trust to remain a going concern, and financially viable, by strategically planning the use of reserves as part of the Trust's financial strategy,
   2.2. Ensure sufficient provision for future cash flow requirements and capital procurement,
   2.3. Provide a framework for strategic planning and decision making,
   2.4. Provide a framework for Headteachers and Trustees to consider the level and use of reserves,
   2.5. Inform the budget and risk management processes by identifying any uncertainty in future income streams,
   2.6. Ensure that the Trust meets all statutory and regulatory requirements, including the Academy Trust Handbook.

Types of reserves

3. Unrestricted Reserves:

   3.1. Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the Trustees in furtherance of any of the Trust's objectives.

   3.2. If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not place restrictions on how the fund is eventually spent.

   3.3. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.

4. Restricted Reserves:

   4.1. Restricted funds are mainly derived from government grant funding through the DfE (Department for Education) but may also include other grants or donations provided for a specific purpose.

   4.2. Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of DfE funding, this is as detailed in the Trust's Funding agreement). So, they are funds that must be spent on things the donator has specified or for the purpose for which it was given.

5. Capital Reserves:

   5.1. Capital reserves are mainly derived from government funding to be allocated to Capital Projects and spent in accordance with the Funding Agreement. This will be monitored centrally to ensure that funding is spent within the allocated time frame.

   5.2. Capital reserves are also considered as restricted and are defined as Restricted Fixed Asset Reserves.

6. Designated Reserves:

   6.1. Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of the Trust's objectives or are designated in line with restrictions attached to the associated funding.

   6.2. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

   6.3. The reserve may be derived from unrestricted or restricted funds where applicable and spent in accordance with any expenditure restrictions.

7. Pension Reserve:

   7.1. The risks surrounding the Trust's pension liability have been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Trust.

Reasons for holding reserves

8. Holding reserves is an important part of the Trust's strategic financial planning. Reserves can enable the Trust to invest strategically and collectively for the benefit of all pupils and to meet strategic priorities. Reserves also enable the Trust to manage the unpredictable financial climate in which we operate, such as:

   8.1. The risk of unforeseen emergencies or other unexpected needs for funds,

   8.2. A fall or rise in sources of income,

   8.3. Any expected increases in the cost base,

   8.4. Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project,

   8.5. The need to fund potential deficits in a cash budget, for example, money may need to be spent before funding is received,

   8.6. The need to fund potential deficits, over and above that supported by the Trust's Support Fund, in order to maintain or improve educational standards,

   8.7. Maintaining sufficient liquid funds to cover committed expenditure, including employee costs, for a limited period of time whilst remedial action is undertaken, and

   8.8. Other risks identified in the Trust's risk register.

9. When considering the appropriate level of reserves the Trustees need to balance the level needed for financially sustainability, with the need to ensure that the maximum funding possible is spent for the benefit of all children and young people currently within the Trust's schools.

A balanced budget

10. Schools/federated schools within the Trust are expected to set and maintain an in-year balanced budget where costs are met from income in a given year.

11. Schools/federated schools within the Trust are expected to meet the budget that is agreed for the financial year. Any areas of overspend will need to be identified and addressed to ensure that the agreed budget is achieved by the end of the financial year.

12. Accumulated reserves can be utilised, subject to the provision of this policy. The utilisation of accumulated reserves to set a balanced budget will be developed by Headteachers and submitted to the Board of Trustees for approval as part of the budget setting process.

Maintaining a minimum level of reserves

13. For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves and other specifically designated funds (e.g. funds held for particular Board approved projects).

14. For the purpose of this policy, federated schools will be combined.

15. The target range for reserves is provided in table 1 below:

Table 1 – Reserves target ranges	Target range	Applied to
Individual schools (federated school combined)	3% to 6%	% of the net amount of annual funding (used to calculate the Core Services Charge)
Central Services Budget	15% to 20%	The value of the Core Services Charge
Overall Trust	5% to 7%	% of the net amount of annual funding (used to calculate the Core Services Charge)

16. This level of reserves is deemed appropriate when taking into consideration the reasons for holding reserves detailed in the section above.

17. Once the budget for the forthcoming year has been agreed, an assessment will be made about the application of the Reserves Policy for that year. This assessment will be agreed by the Trustees Finance Committee and shared with all schools. A proforma for the assessment is provided as Appendix A.

18. The assessment will determine if scenario 1 or scenario 2 of the reserves policy (detailed below) is enacted for the forthcoming financial year. The purpose of this assessment is to:

    18.1. Balance the need for financial sustainability, with the need to ensure that the maximum funding possible is spent for the benefit of all children and young people currently within the Trust's schools.

18.2. Prevent or recover a school/federated schools being in an unfunded deficit position or from having reserves below the minimum of the schools reserves target range (3%).

18.3. Enable schools and the Trust overall to establish sustainable budgets.

19. **Scenario 1 Reserves Policy standard control measures** - If the Trust's overall reserves for the two forthcoming financial years are projected to be **above or within** the Trust's overall target range (between 5% and 7%), schools will be able to utilise their accumulated reserves over and above the top of the target range for schools (over 6%). A summary of the implications for individual schools/federated schools is provided in table 2 below:

Table 2 - **Scenario 1 Reserves Policy standard control measures -** implications for individual schools/federated schools if the Trust's overall reserves for the two forthcoming financial years are projected to be above or within the Trust's overall target range (between 5% and 7%)

Projected school/federation reserves less than 3% in the forthcoming year	Projected school/federation reserves between 3% and 6% in the forthcoming year	Projected school/federation reserves over 6% in the forthcoming year
Expected to meet the agreed budget that is agreed for the financial year	Expected to meet the agreed budget that is agreed for the financial year	Expected to meet the agreed budget that is agreed for the financial year
Take remedial action to move towards the target range for reserves Any areas of overspend will need to be identified and addressed to ensure that the agreed budget is achieved by the end of the financial year Overspending of the agreed budget of over £15,000, or 1% of the school's funding used to calculate the Core Services Charge (whichever is the greater) for a primary school or over £50,000 for a secondary school and centrally retained budgets must be referred to the Finance Committee of the Board of Trustees where it is not offset by savings elsewhere in the budget, and results in an in-year projected overspend over the amounts specified above.	Additional spending not included in the agreed budget of over £15,000, or 1% of the school's funding used to calculate the Core Services Charge (whichever is the greater) for a primary school or over £50,000 for a secondary school and centrally retained budgets must be referred to the Finance Committee of the Board of Trustees. In addition to one-off items of expenditure, this also includes general overspending, which is not offset by making savings elsewhere in the budget, and results in an in-year projected overspend over the amounts specified above. Applications for additional spend are unlikely to be agreed if projected reserves would fall below the	Encouraged to consider additional spending from reserves to bring projected reserves towards the top of the schools reserves target (6%) over a sustainable period of time. Spending must be in line with the Trust's strategic plan and the school development plan. Spending on Trust wide initiatives or those that will benefit pupils beyond the individual school/federated schools are encouraged. Additional spending must be short term and developmental and not for day to day costs

	bottom of schools reserves target (3%) by the end of the financial year	
No additional use of reserves is permitted Any requests for additional spending should be made to the support fund but will only be considered in critical situations	Requests for recurrent spending are likely to only be agreed in exceptional circumstances. Requests for one off spending, particularly on items that will improve the schools ongoing financial sustainability are more likely to be approved.	Any areas of overspend or additional spending must ensure that reserves do not fall below the top of schools reserves target (6%) by the end of either of the next two financial years.
Headteachers are not required to refer spending decisions outside of the agreed budget to the Finance Committee if the spending is fully funded from additional unbudgeted income and has no detrimental impact on the schools longer term financial position.	Headteachers are not required to refer spending decisions outside of the agreed budget to the Finance Committee if the spending is fully funded from additional unbudgeted income and has no detrimental impact on the schools longer term financial position.	No Trustee approval is required but approval for spend over delegation limits is still required as per the Finance Policy

20. **Scenario 2 Reserves Policy strengthened control measures** - If the Trust's overall reserves within either of the two forthcoming financial years are projected to be **below** the bottom of the Trust's overall target range (below 5%), the Headteacher of individual schools/federations must refer any spending decision outside the agreed budget, that meets the criteria in table 3 below, to the Finance Committee of the Board of Trustees for review and approval. Requests for recurrent spending are likely to only be agreed in exceptional circumstances. Requests for one off spending, particularly on items that will improve the schools ongoing financial sustainability are more likely to be approved. A summary of the implications for individual schools/federated schools is provided in table 3 below:

Table 3 - **Scenario 2 Reserves Policy strengthened control measures** - implications for individual schools/federated schools if the Trust's overall reserves within either of the two forthcoming financial years are projected to be below the bottom of the Trust's overall target range (below 5%)	
Projected school/federation reserves less than 3% in the forthcoming year	Projected school/federation reserves over 3% in the forthcoming year
Expected to meet the agreed budget that is agreed for the financial year	Expected to meet the agreed budget that is agreed for the financial year
Take remedial action to move towards the target range for reserves	Additional spending not included in the agreed budget of over £15,000, or 1% of the school's funding used to calculate the Core Services Charge (whichever is the greater) for a primary school or over £50,000 for a
Any areas of overspend will need to be identified and addressed to ensure that the agreed budget is achieved by the end of the financial year	

<table>
<tr><td>Overspending of the agreed budget of over £15,000, or 1% of the school's funding used to calculate the Core Services Charge (whichever is the greater) for a primary school or over £50,000 for a secondary school and centrally retained budgets must be referred to the Finance Committee of the Board of Trustees where it is not offset by savings elsewhere in the budget, and results in an in-year projected overspend over the amounts specified above.</td><td>secondary school and centrally retained budgets must be referred to the Finance Committee of the Board of Trustees. In addition to one-off items of expenditure, this also includes general overspending, which is not offset by making savings elsewhere in the budget, and results in an in-year projected overspend over the amounts specified above. Applications for additional spend are unlikely to be agreed if projected reserves would fall below the bottom of schools reserves target (3%) by the end of the financial year</td></tr>
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</table>

21. LGBs will be informed of the outcome of any application to Trustees for the use of reserves through regular financial reporting.

22. The minimum level of reserves is ultimately determined by the need to operate as a going concern and to maintain a positive cash accounting position for the Trust. The assessment of reserves may, therefore, be subject to change.

Annual assessment of application of the reserves policy

	Annual assessment of application of the reserves policy	Please complete pale blue cells
Q1	Assessment for application of the reserves policy for which financial year	
Q2	Date of Trustee approval	
Q3	Budget version on IMP	
Q4	Total In year (surplus)/deficit in approved budget for the year in question 1	
Q5	Projected reserves from the previous year based on last QA forecast	
Q6	Based on forecast for what period	
Q7	Total projected reserves at end of financial year in question 1	
Q8	Projected income used to calculate the Core Services Charge for the year in question 1	
Q9	% Projected total Trust reserves for the year in question 1	
Q10	Total In year (surplus)/deficit in approved budget for the year after the year in question 1	
Q11	Total projected reserves at end of financial year after the year in question 1	
Q12	Projected income used to calculate the Core Services Charge for the year after the year in question 1	
Q13	% Projected total Trust reserves for the year after the year in question 1	
Q14	Which scenario applies to the use of reserves in the coming financial year	Tick as appropriate
	Scenario 1 Reserves Policy reduced control measures - the Trust's overall reserves for the two forthcoming financial years are projected to be above or within the Trust's overall target range (between 5% and 7%)	
	Scenario 2 Reserves Policy increased control measures - the Trust's overall reserves within either of the two forthcoming financial years are projected to be below the bottom of the Trust's overall target range (below 5%)	

What does this mean for the year in question (delete as applicable):

Scenario 1 Reserves Policy standard control measures

Scenario 1 Reserves Policy standard control measures - implications for individual schools/federated schools if the Trust's overall reserves for the two forthcoming financial years are projected to be above or within the Trust's overall target range (between 5% and 7%)		
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Scenario 2 Reserves Policy strengthened control measures

Table 3 - **Scenario 2 Reserves Policy strengthened control measures** - implications for individual schools/federated schools if the Trust's overall reserves within either of the two forthcoming financial years are projected to be below the bottom of the Trust's overall target range (below 5%)	
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