Humberston Park School

...engaging children in creative and enjoyable learning that is of functional value to them now and in the future.

Inclusiveness, Independence & Enjoyment

Reserves Policy

What is the intended impact of this policy on School Improvement?

A well-designed Reserves Policy in a single Academy Trust should directly strengthen School Improvement by ensuring the Trust maintains a financially stable, risk-aware, and strategically proactive position. In line with the Department for Education [DfE] and Charity Commission expectations, the policy helps Humberston Park School hold an appropriate and justifiable level of reserves so it can withstand financial uncertainties, protect core educational provision, and maintain continuity of high-quality services for pupils with complex needs.

By planning and using reserves strategically, the Trust can invest in long-term school improvement priorities such as staffing capacity, curriculum development, transdisciplinary practice, estate development and specialist equipment upgrades, and innovation, without compromising financial sustainability.

The intended impact is a more resilient, future-focused organisation that can respond quickly to emerging needs, support sustained improvements in outcomes, and ensure that pupils benefit from a consistently strong, well-resourced and well-led educational environment.

Approved by:	Trust Board	Date:
Last reviewed:	January 2026	
Next review due:	January 2027	

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1. Aims and introduction

Humberston Park School is responsible for the effective and efficient use of resources.

The Trust Board is responsible for approval and oversight of this policy.

This statutory policy sets out the Academy Trust'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:

a. **Meet the needs of its pupils, its educational objectives and long-term sustainability**
b. **Give confidence to the public, stakeholders and regulators that the Trust's finances are being properly managed**
c. **Provide accountability for the Trust's use of public funds**
d. **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:

a. 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.
b. Reserves: Funds that can be used at the discretion of the Trust Board to support Humberston Park School's charitable objects.
c. Unspent General Annual Grant (GAG)

1.2 Purpose of reserves

Reserves are held to:

a. Provide financial stability and ensure the Trust can operate effectively in times of unforeseen difficulty
b. Manage the financial impact of fluctuating pupil numbers
c. Cover short-term funding deficits, for example where funds may need to be spent prior to receipt of grant funding

d. Support strategic investment in educational improvement and infrastructure
e. Prepare for commitments, such as major asset purchases, which cannot be met by future income alone
f. Comply with obligations set by the DfE and the Charities Commission

2. Management of reserves

At Humberston Park School, the Board of Trustees has considered the purpose of the Trust holding reserves and how much should be held to meet those purposes.

As a single, standalone Academy, Humberston Park School holds all reserves centrally, to cover Trust/School-wide strategic projects and risks. Any surplus generated remains in the Trust's central fund. This approach allows the School to use its financial resources to respond flexibly to capital projects or unexpected costs, or to redistribute funds across the budget as required, and to hold a defined level of reserves to manage the School's day-to-day operational needs.

The Trust Board will set a clear minimum and maximum level of reserves that Humberston Park School is expected to maintain.

3. Reserves level

3.1 Calculation of reserves

The following are excluded from reserves:

a. Tangible fixed assets such as land and buildings
b. Programme-related investments held solely to further the trust's purposes
c. Designated funds set aside for a specific purpose
d. Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation may be applied
e. 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 Humberston Park School:

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

[Note that if our reserves policy was set at zero or a low level, we would have to outline our strategy for mitigating the risk of closure and its impact on pupils].

3.2 Level of reserves

Humberston Park Academy Trust 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 strategic business planning and effective use of resources.

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

- ✓ Three 3 months average operational costs or

A minimum of 15%-20% of general annual grant (GAG), whichever is greater

3.3 Monitoring and review

The Trust Board 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:

a. The size of the trust
b. The circumstances/complexity related to strategic and operational planning and/or developments
c. Known and potential risks (for example, pupil number fluctuations, changes to funding)
d. Future plans, including anticipated capital expenditure and projects
e. Financial forecasts and projected income/expenditure

Reserves will be reviewed at least [termly/quarterly] by the FARR Committee, and annually by the full Board of Trustees, as part of the budget setting and financial planning process.

This review will include:

i. An assessment of current reserves against the level agreed
ii. An analysis and evaluation of the reasons for any significant difference
iii. A forecast of future reserve levels
iv. Consideration of any new risks or opportunities that may impact reserves
v. Recommendations for designation or release of funds

Where reserves are below target or exceed target, the Trust Board 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/as necessary.

4. Use of reserves

The Finance, Audit, Risk, and Resource Committee (FARR) will agree how reserves will be managed and present them to the Full Board for transparency. These Committees meet no less than once a term. The Chief Financial Officer (CFO) will provide regular reports on the levels and use of reserves as part of management accounts.

Reserves may be used to:

a. Support cash flow during delayed funding
b. Fund strategic initiatives such as School/estate improvement or expansion
c. Respond to emergencies or urgent capital needs

d. Support capital funding [CIF] 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 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, transparency, accountability and balance

The reserves position will be reported in:

The Trust's annual report and financial statements, in line with Charity Commission requirements, including:

a. An explanation of our approach to reserves
b. How and why reserves are held
c. Any designated funds in our reserves, their purposes and the likely timing of the expenditure
d. How our reserves support the Trust's health, care and educational transdisciplinary purpose.

As the Trust has an income over £500,000, Humberston Park School will also report on:

e. The amount of total funds the Trust holds
f. The amount of any restricted funds
g. Any amount that can only be realised by disposing of tangible fixed assets
h. A comparison of the amount of reserves held with the reserves policy and an explanation of any discrepancy
i. Regular management reports to the Trust Board and FARR Committee

If reserves are significantly above the target set, we will consider the following actions:

i. invest in operational and/or strategic facility development / resources
ii. undertake new projects in line with the Trust's purpose

6. Policy review

The overall responsibility for this policy lies with the Board of Trustees. The FARR Committee will oversee the day-to-day [operational] management and regular monitoring of reserves.

This policy will be reviewed by our FARR Committee annually, or more frequently if circumstances change.

The DfE strongly recommends that the policy is reviewed annually to make sure it's up to date and to provide the DfE with the most relevant details regarding the Trust's plans for managing reserves.

The policy will be made publicly available on Humberston Park School's website.

7. Links with other policies

This Reserves Policy is linked to the following:

a. Scheme of delegation
b. Finance policy
c. Investment policy