

Welton St. Mary's Church of England Primary Academy



Our Vision

As an inclusive Christian community we value each person, seeking to release everyone's full potential as promised by Jesus Christ. We seek to provide a safe, inspiring and creative learning environment providing opportunities for all to flourish. Through challenge, support and care, we strive for excellence in all that we do; always building on the foundations of shared values with consistently high expectations rooted in God's love. Together we are encouraged to be agents of positive change in this world.

'May the God of hope fill you with all joy and peace as you trust in him, so that you may overflow with hope by the power of the Holy Spirit.' Romans 15:13

Wisdom Hope Community Dignity

Reserves policy

Approved November 2025

Welton St Mary's Church of England Primary Academy

Company Number: 8314146 / URN 139187 / DFE 925-3158

Overall Purpose

Academies are expected to create reserves from the annual General Annual Grant (GAG) funding and other income. The policy of the School is to carry forward a prudent level of resources designed to contribute to

- **IT and systems** - funds to spend on specific plans such as IT and systems within their schools. This could include upgrades and installations, purchasing or maintenance of digital equipment, alarm systems, network costs
- **Pupil and staff provision** - Plans specific to the pupils and staff of the academy trust may come at an additional expense to a trust. For example, funds set aside specifically to invest in the curriculum or SEND. There may be a need for reserves to be held due to falling or raising pupil numbers. Reserves could also cover costs relating to the recruitment, management and development of staff and planned training commitments. A trust may also set aside funds for teacher pay awards and pension contributions.
- **Cashflow** - Making sure sufficient cash is available to pay bills and expenditure items as they fall due helps the trust to manage fluctuations in income.
- **Reserves held for contingency** - setting aside funds for contingency and uncertainty can help cover any unforeseen issues or unexpected extra costs in-year. This could be to balance budgets where in-year expenditure exceeds income. Planning for these costs can help to ensure the trusts overall budget is balanced. a
- **Finance and strategy** - cover the cost of developing school improvement strategies, contribute to the growth of the trust, support investments into central services to improve delivery.
- **Maintenance and improvements to new and existing buildings** - to enable expansion of the academy trusts premises and estate, for example, building a new classroom or sports hall or purchasing new properties while ensuring the trust has funds for maintenance and refurbishments to current buildings and buying and replacing items within the schools.

The reserves are subject to the constraint that the level of resources does not exceed the level permitted by the DfE.

Current DfE guidance on Academy trust reserves can be located within the ESFA Academy trusts financial management good practice guides - [Academy trust reserves - GOV.UK](#)

The Governing Body of Welton St Mary's Church of England Primary Academy is accountable for the way in which the school's resources are allocated to meet the objectives set out in the School Development Plans. Governors need to secure the best possible outcomes for pupils, in the most efficient and effective way, at a reasonable cost. This will lead to continuous improvement in the school's achievements and services.

CAPITAL AND REVENUE RESERVE

Purpose Currently, the Department for Education (DfE) provides minimal funding in the way of Devolved Formula Capital Grant. The Governors (Trustees) of Welton St Marys Church of England Primary Academy require a capital reserve to be held (the Designated Maintenance Reserve) to fund future capital maintenance expenditure on a managed programme in accordance with the terms of any funding grants and/ or to fund other capital expenditure agreed by the governing body (for example, emergency repairs). In addition academies are able to bid for a share of the Academies Capital Maintenance Fund.

Welton St Marys Church of England Primary Academy is expected to hold contingency reserves from their annual GAG funding or other income.

The Governors require a revenue reserve to be held to fund future expenditure related to the strategic long-term aims and development. Welton St Marys Church of England Primary Academy shall ensure that contingency funds are maintained of between 5% and 10% of annual revenue. Please see Appendix 2 for current DfE recommendations. The school does not hold Staff Absence Insurance Cover as we partake in Staff sickness Insurance currently provided by Lincolnshire County Council. Governors of Welton St Marys Church of England Primary Academy will continue to review level of reserves on an annual basis. In doing so the Governors would then be able to increase/decrease reserves at a speed which is achievable, prudent and in the best interests of our charitable purpose.

Scope

The Finance & Operations Manager, in conjunction with the Headteacher, is responsible for implementing the School's reserves policy. The overall contingency funds will include the Unrestricted Reserve and the amount available from restricted GAG fund (which can be used to cover elements of those contingencies which fall under the purposes permitted for use of GAG funding).

Welton St Marys Church of England Primary Academy policy is to seek to maintain total Unrestricted Reserves plus restricted GAG funds of between 5%-10% of annual revenue plus the Designated Maintenance Reserve.

The reserves will be reviewed as at the end of the School's financial year as part of the process of preparing the annual accounts. Reserves above or below target may be held in the short term if needed to smooth out budget surplus or deficit over a three to five year budget cycle.

Further information about the Designated Maintenance Reserve is located within Appendix 3

Appendix 1

DFE Guidance extractions are below. Full guidance is available at [Academy trust reserves - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/academy-trust-reserves) - Updated June 2025

Definition of academy trust reserves

The [Charities statement of recommended practice \(SORP\)](#) defines reserves as “that part of a charity’s unrestricted income fund that is freely available to spend on any of the charity’s purposes”. These are often referred to as ‘free reserves’.

When applying this to academy trusts, it is common to consider reserves as being the balance of unspent:

- unrestricted funds, to the extent that they have not been used for the acquisition of fixed assets
- general annual grant (GAG)

Although GAG is a restricted fund, any unspent GAG is usually considered as reserves. This is because it is permitted to be used for the general running of the trust’s main activity of delivering education.

Brought-forward reserves

The [academy trust handbook](#) requires trusts to approve a balanced budget which may take into account any brought-forward reserves.

Brought-forward reserves are made up of unspent funds from previous years where income has been greater than expenditure. The reserves may come from several funding streams, some of which are restricted to particular types of spend.

Carried-forward funds

Carried-forward funds are what remains at the end of the year. They remain restricted in accordance with the conditions of funding or grant. Trusts must make sure that they use these funds with propriety and regularity.

For example, funds derived from GAG could be used for a broad range of activity that supports the day-to-day delivery of the trust’s charitable objects. In addition to available capital-funded projects, the funds would enable the trust to provide education to pupils and maintain the schools estate and facilities.

Funds derived from capital or other specific funding will be more restricted to future projects that meet the original purpose and any conditions of the funding. For example, capital grant can only be used for capital expenditure.

Funding streams

Restricted fixed asset fund

This is the total amount carried forward from restricted funding received for fixed assets in use on an ongoing basis. The carrying or net book value includes any depreciation.

It will mainly be derived from government funds, but may include other funds from:

- a sponsor
- a local authority or other donations
- any unspent capital funds

Restricted general fund

The amount included in this fund represents the total amount carried forward from funding received for specific purposes, excluding fixed assets. It would mainly be government funds like the GAG, but may include other funds from sponsors or other donors.

Unrestricted general fund

This includes any amounts not included in the above funds and which are available for general use at the discretion of the trustees to further the charity's purpose.

Find out more in the [Academies Accounts Direction \(AAD\)](#) 2023 to 2024, 2.116 to 2.119.

What is not included as reserves

The Charities SORP recommends that the following are excluded from the amount identified as reserves:

- tangible fixed assets used to carry out the trust's activities, such as land and buildings
- programme-related investments held solely to further the trust's purposes
- other restricted funds where the donor or grantor has specified the purpose to which the grant or donation must be applied
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income
- commitments that have not been provided for as a liability in the accounts

Difference between restricted and designated funds

The restriction for restricted funds is imposed from outside the academy trust.

For designated funds, the intended use of funds is determined internally by trustees.

Designated funds can be undesignated or redesignated by a decision from the trustees if the needs of the trust change.

Changing the permitted use of restricted funds would require the external agreement of the donor or funding body.

Appendix 2

DFE Guidance extractions are below. Full guidance is available at [Academy trust reserves - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/academy-trust-reserves)

DfE does not require a specific level of reserves, either a percentage or monetary amount.

However, trust reserves should not be in a deficit position. Trustees are best placed to decide on the trust's priorities. They are responsible for assessing the trust's individual circumstances to make sure that reserves are used in the best interests of their pupils.

Academy trusts have the freedom to establish governance and financial management arrangements that meet the needs and circumstances of their:

- vision
- values
- academies

The level of reserves a trust decides to hold is likely to depend on both short- and long-term factors that may affect the schools and pupils, including:

- the number, type and size of the academies within the trust
- how their needs are reflected in the trust's estates strategy
- future plans
- upcoming risks or opportunities

Around 80% of trusts hold reserves of at least 5% of total income with many choosing to hold around one month's salary costs or expenditure as a minimum for contingency to protect cashflow. Some trusts, such as larger trusts or those without significant investment or growth plans, may decide to maintain reserves below this level.

We know that academy trusts employ a diverse range of operating models to maximise the impact of their spending for learners. Trusts have the flexibility to maintain a level of reserves that trustees decide is appropriate to the trust's individual context and circumstances.

Holding a lower level of reserves

For some trusts a lower level of reserves could suggest financial vulnerability and challenge, especially if much below 5% of income. For other trusts, this will be a deliberate decision in accordance with their financial operating model to provide financial sustainability.

When holding a lower level of reserves, trustees will need to be assured that:

- there is sufficient contingency should something unforeseen occur

- that there are funds in place to maintain the school estate and infrastructure

Holding a higher level of reserves

A high level of reserves has been defined, in discussion with the National Audit Office and the Public Accounts Committee, as 20% of income or above.

Trusts choosing to hold a high level of reserves will usually do so because of specific needs – for example, upcoming contributions to projects.

It would be unusual and potentially hard for a trust to justify the decision to hold significant reserves at this level for general cashflow contingency, given this funding could be used sooner for the benefit of pupils.

In making the decision regarding how much to hold in reserves, the trustees may wish to consider the following factors.

Appendix 3

Designated Maintenance Reserve Incoming resources

- An initial deposit of £50,000 was set aside.

Outgoing resources:

The funds should only be spent on

- agreed budgeted spend on items on the capital maintenance schedule / Premises Maintenance report or
- to support applications for capital funding grants that require the School to fund part of the works to be covered by the grant or
- other items which are approved by the Governors or by delegated authority to the Headteacher outside the budget process Procedure

The School Business Manager should prepare and maintain a capital and maintenance schedule / Premises Maintenance report agreed with the Headteacher and provided to the Governors identifying the need to replace assets and the related sums required in each future year of the school's 3 to 5 year budget.

The Governors should agree the value of Designated Maintenance Reserve to be created in a year as part of the budget approval process.

Funds should be allocated to the Designated Maintenance Reserve in order to manage payments received under the capital maintenance programme. Welton St Marys Church of England Primary Academy