PYRAMID
SCHOOLS TRUST

Working in partnership, so future generations achieve, belong and contribute

Reserves Policy

Edition 4: 16/07/2025

Document Control		
Edition	Issued	Changes from previous
1	14/10/2022	New policy. Approved by the Board of Trustees.
2	23/08/2023	Updated policy. Approved by the Board of Trustees.
3	10/07/2024	Updated policy Approved by the Trust Resource and Finance Committee
4	16/07/2025	Updated policy Approved by the Board of Trustees

Review Cycle: Annually **Review Date: October 2025**

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1. Introduction

The Pyramid Schools Trust [PST] Board has to consider the level of reserves that each school should hold. Levels of reserves which are too high tie up money which should be spent on current activities. Levels of reserves which are too low may put the future activities of the Trust schools at risk.

The reserves policy:

- assists in strategic planning by considering how new projects or activities will be funded;
- informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects or expansion; and
- informs the budget and risk management process by identifying any uncertainty in future income streams

2. During the financial year

The trustees/directors identify:

when reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any, needs to be taken;

when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any that needs to be taken; and

where the reserves level is below target and consider whether this is due to short-term circumstances or longer-term reasons which might trigger a broader review of finances and reserves.

3. Development of PST's reserves policy

When considering an appropriate level of reserves, the trustees/directors consider:

- the risk of unforeseen emergency or other unexpected need for funds;
- covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence;
- a fall in a source of income;
- planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project;
- the need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received (such as lagged funding when in-year pupil numbers rise significantly);
- the investment required to grow the Trust; and
- the transitional costs of moving from 3 to 2 tier.

The financial risks identified determine the amount of reserves PST aims to hold.

4. In-year reports to the Directors and the Local Governing Bodies

In-year reports:

- compare the amount of reserves held with the target amount or target range set for

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reserves;
- explain any shortfall or excess in reserves against target set; and
- explain any action being taken or planned to bring reserves into line with the target.

5. Annual financial statements

The Reserves Policy disclosed in the Trust's report will include the following information:

- why reserves are held;
- what amount/range of reserves is considered appropriate for the multi academy trust;
- what the level of reserves is at the yearend;
- how the multi academy trust is going to achieve the desired level or range of reserves; and
- how often the reserves policy is reviewed.

6. Target range of reserves for the financial year (2025/26)

The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan.

The target level of reserves will be informed by:

· The trust's forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources.

· The trust's forecasts for expenditure for the current and future years on the basis of planned activity.

· Analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs.

· An assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising which means that reserves are necessary, and the potential consequences for the trust of not being able to make up the shortfall.

The main risk to the Trust in the short to medium term is that of managing its short to medium term cash flow effectively as:

- The Trust strives to achieve continuous improvements to its performance, through its Trust Strategic Plan, and this is recognised.;
- Inflationary pay awards to staff exceed the inflationary funding increases from government, ESFA and local authorities: and
- The Trust implements its strategic plan, including its expansion plans which requires ongoing investment in the Trust's offering to current and new schools joining the Trust in 2025/26.

The financial risk to the trust will be balanced alongside our vision to achieve year on year improvements to the levels of education.

The trustees have set a minimum, target and maximum level of general reserve in order to

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support the long-term viability of the Trust, meet short-term liquidity needs and balance the demands for future financial resilience with current pupil need. These values are based on an assessment of current risks, covering normal operating spend as well as capital and estate risk.

The minimum general reserve level has been set as 5.5% of the Trust's general annual grant (GAG), with a target of 10% and a maximum of 15% (excluding designated reserves).

Based on 2025/26 GAG the general reserve levels are:

- Minimum reserve £1.3m
- Target reserve £2.4m
- Maximum reserve £3.6m

The latest forecast, presented to the July 25 Finance Committee suggests the revenue reserves carried forward from 2024/25 will be £2.4m. This is in line with the Trust's existing target range. The 2025/26 budget and capital commitments (not met by Devolved Formula Capital) will reduce reserves by £0.5m.

The DfE guidance "Managing Academy Trust Reserves", dated 2nd June 2025 states:

Considerations for the Board

- *if funds are not needed now, how the trust might be able to invest them to generate some extra income by reviewing current trust bank and saving accounts, cash reserve locations and interest rates available to establish where or how investment returns may increase, including:*
  - ➢ *reviewing type and amount of accounts*
  - ➢ *avoiding capital at risk investments*
  - ➢ *ensuring funds are deposited with banks or financial institutions that are registered and regulated by the Financial Conduct Authority (FCA) in the UK*

The Trust can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk).

The timeline for strategic changes will be assessed when considering investment using reserves.

7. Monitoring and evaluation of the policy

This policy will be monitored regularly for any changes in legislation or directions from the DfE which may have an effect and be evaluated in the light of any comments made by the DfE, ESFA, auditors and any other interested parties. A review will also be undertaken when new schools and Trusts join PST.

8. Reviewing

It is proposed that the Chief Financial Officer, the Executive Principal (Accounting Officer) and trustees carry out a review of this policy in the Autumn term to incorporate the investment policy into the document.

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