



**CALDEW
SCHOOL**

Reserves Policy and Guidance

Audience	Caldew Staff Trustees and Members
Ratified	Finance and Resources Committee
Other related policies	Financial Regulations Manual
Policy Owner	Lisa Hollywood, Business Manager
Review	March 2029

At Caldew School, we want our students to ASPIRE, BELIEVE and ACHIEVE so every student is successful today and prepared for tomorrow.

POLICY OVERVIEW

Caldew School is a stand-alone academy trust based on a single site in Dalston, Cumbria. The school has an annual income exceeding £8m and a commitment to delivering high-quality education to over 1,000 students. As a singular entity, the financial stability of the school creates a higher risk so careful management of funds and monitoring by the Governing Body is critical to ensure that the school meets educational objectives effectively, while managing funds prudently and transparently. This Reserves Policy provides a structured approach for building financial resilience, managing risks, and positioning the school to capitalise on future opportunities.

This policy is informed by guidance from the Department for Education on maintaining reserves, which underscores the importance of financial foresight in educational institutions. [Charity reserves: building resilience - GOV.UK](#)

The objectives of this policy are to:

- Ensure the school maintains an appropriate level of reserves in line with Department for Education recommendations.
- Enhance financial resilience across within the school with careful reserves management.
- Support school with temporary funding needs, enabling a focus on delivering great educational outcomes.
- Establish clear parameters for building, maintaining, and using reserves to support the school's priorities and strategies.

Overarching Principles

To uphold a transparent and equitable approach to reserves management, the policy is guided by the following principles:

- **Transparency:** Maintain clear communication regarding reserve levels, utilisation and decision-making processes.
- **Equity:** Work toward achieving equitable resource allocation, aiming to distribute resources in a way that represents value for money, supporting school to strive for financial stability.
- **Flexibility:** Provide the school the agility to respond to unforeseen events, while retaining sufficient reserves for strategic opportunities.
- **Efficiency:** Simplify reserves processes and avoid unnecessary administrative burdens.

- Sustainability: Support the long-term financial health of the school by ensuring responsible financial planning and spending.

This policy is approved by the Finance and Resources Committee on behalf of the Board of Trustees. It applies to all school employees and Trustees.

As an exempt charity, Caldew School is governed by both company and charity law, mandating that the school Trustees establish a reserves policy that both safeguards the organisation’s financial stability and advances its charitable mission. Trustees are tasked with determining an appropriate reserves level that sustains Caldew's operations:

Maintaining sufficient reserves to absorb unforeseen expenses or fluctuations in income, yet not so high as to detract from resources dedicated to delivering high quality education to pupils.

As the single legal entity and responsible body, Caldew oversees these reserves to ensure compliance with financial governance requirements to optimise resource allocation across the school, and to uphold its fiduciary responsibilities effectively.

Roles and Responsibilities

Role	Responsibility
Headteacher	Lead school budget planning with input from School Business Manager and Senior Leadership Team. Headteacher will have a clear understanding of the short, medium and long-term financial needs of the school and plan accordingly.
School Business Manager	Provides strategic support to Headteacher, ensuring alignment between educational and financial planning. Works with Headteacher to ensure budgets reflect the school’s educational goals and operational needs. Work directly with Headteacher and Heads of Department to prepare detailed budgets, offering financial insights and assumptions, and helping manage financial risks and opportunities at the school level.
Head of Department	Lead departmental budget planning with input from the team(s), and School Business Manager. Head of Department will have a clear understanding of the short, medium and long-term financial needs of the department and plan accordingly.
Finance & resources Committee	Responsible for considering and approving the school’s financial policies and procedures, including this Reserves Policy, to ensure robust governance and financial stewardship across the school.
Board of Members	Approves the overarching Trust budget.

POLICY IN DETAIL

Types of Reserves

The school's reserves are categorised into distinct types to manage funds according to specific financial and operational requirements. These different categories are:

- **Restricted General Fund:** These funds are allocated for specific operational purposes as designated by the funding source, usually government grants or other restricted income. The school can only use this fund for specific activities that align with the funder's requirements, such as educational programming and other directly related expenses. The main source of income that feeds into this fund is the General Annual Grant.
- **Pension Fund:** This reserve covers the pension obligations related to the Local Government Pension Scheme, which is the pension scheme for certain employees, typically those not in teaching roles. It is restricted to meeting current and future pension liabilities, ensuring that the school can fulfil its commitments to staff retirement plans. When evaluating the school's level of free reserves, the Pension Fund reserve should be excluded. It is highly unlikely that this debt will ever become an immediate liability. Similarly, for funds showing a net surplus position, this does not represent an asset that can be readily realised.
- **Restricted Fixed Asset Fund:** This reserve is used exclusively for acquiring, maintaining, or improving fixed assets, such as buildings, equipment, and infrastructure. It is typically funded through government grants or donations meant specifically for long-term physical investments. The main source of income feeding into this fund is the School Condition Allocation.
- **Unrestricted Fund:** These funds are not tied to any specific purpose and can be used flexibly to meet the school's needs. They provide the school with greater financial flexibility to cover general expenses, unforeseen costs, or new initiatives in furtherance to achieve its objectives. This fund can include, for example, self-generated income or donations where the donor has not stipulated how they should be spent.

The Finance and Resources Committee and Headteacher will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

Authorisation to use reserves of any kind will be made in line with the Financial Scheme of Delegation at the earliest opportunity and to allow the correct procurement processes to be followed.

The Headteacher is responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the School Business Manager will maintain a record of the use of the funds. The Headteacher will regularly monitor the progress of the use of these reserves.

Reserves Targets

For the purposes of this policy 'free reserves' refers to funds that are freely available for any of the school's objectives. For Caldew, 'free reserves' include:

- Unrestricted funds (provided these have not been used for the acquisition of fixed assets)
- General Annual Grant: Although a restricted fund, any unspent General Annual Grant is typically considered part of free reserves, as it can support the general operation of the school's core educational activities.

The following are specifically excluded from classification as 'free reserves':

- Tangible fixed assets used in the school's operations, such as land and buildings
- Programme-related investments held solely to further the school's purposes
- Other restricted funds where external parties have specified the purpose to which the grant or donation must be applied
- Designated funds set aside to meet essential future spending, such as planned projects not covered by future income
- Commitments that have not been provided for as a liability in the financial statements

For clarity, this policy defines restricted funds as those with usage conditions set by external parties (where changing fund allocation would require outside agreement). In contrast, designated funds are internally allocated, with the school retaining full discretion to reassign these funds if necessary.

Whilst the Department for Education does not require any specific level of reserves, either a percentage or monetary amount, it is essential that trust reserves are not in a net deficit position. It is acknowledged that Trustees are best placed to decide on the appropriate level of reserves holding, which will likely depend on both short- and long-term factors that may affect the schools and pupils, including:

- How the school's needs are reflected in the school's estate strategy
- Future plans
- Upcoming risks or opportunities

The school has set a target for free reserves based on General Annual Grant income, equating to a reserve level of £280k that approximately covers two weeks of operating expenditure.

In the circumstances where the school's free reserves do not meet the established target, the school is committed to working towards achieving this goal. This will be done through strategic budget planning, including ongoing expenditure reviews, income maximisation initiatives, and careful resource allocation.

These processes are integral to the school's short- and medium-term financial strategy, aimed at aligning reserves with the target over time. For these purposes, General Annual Grant is defined as the total General Annual Grant allocation for schools, excluding any funds designated for pre-16 high-needs place funding or support grants linked to payroll (SBSG or Supplementary NI Grant).

School Contribution Calculations

The school manages all reserves including an agreed contribution and investment fund, designed to support future AstroTurf replacement or associated initiatives to manage any immediate, unforeseen needs.

Once this allocation is deducted, school expects to balance their remaining budget to meet their operational and educational priorities. The school takes on the responsibility for managing unexpected costs or risks at an organisational level, thereby allowing school to focus their resources directly on delivering quality education.

Contingency Fund

School sets £25k of the school's General Annual Grant allocation (as detailed above). This fund is managed by the school through the School Fund Account held at the Cumberland Building Society. The school also builds in a marginal amount in the maintenance budget to address unanticipated operational expenses that arise throughout the year, such as essential repairs. By having these dedicated funds, school can plan their budget more precisely without inflating ("padding") their budgets to account for potential uncertainties.

Requests for contingency funds are reviewed and authorised by the Headteacher, ensuring proper governance and alignment with the school's financial policies and priorities. This approach promotes maximisation of the schools primary operational and educational budget.

At year-end, if the contingency reserve, or part thereof, remains unspent, the Headteacher will evaluate the best strategic use for these funds. Options include: (1) transferring the balance to free reserves to strengthen the school's financial foundation; (2) retaining the amount within the contingency reserve for future unforeseen needs; or, (3) allocating it to investment reserves for projects or initiatives that advance the school's strategic objectives.

This approach allows the Trust to adaptively support both immediate operational stability and longer-term growth and improvement initiatives.

Accessing free reserves

Access to free reserves is permitted only in the most critical circumstances, necessitating a robust business case to justify the need for such funds. This business case must comprehensively outline the rationale for accessing free reserves, detailing the specific financial requirements and the potential impact on both the free reserves and the overall target reserve holdings of the school.

In the first instance, the business case must be submitted to the Headteacher. The Headteacher will review the request and make recommendations based on the school's financial priorities and constraints.

In addition to justifying the immediate need for funds, the business case should also present a strategic plan for long-term financial sustainability. This plan must address how the financial challenges associated with the particular event or circumstance cannot be managed through existing school budgets, departmental allocations or contingency reserves as previously outlined.

Approval for accessing free reserves will adhere strictly to the established scheme of delegation, ensuring that all requests are evaluated and authorised by the appropriate level of authority within the school. This process not only fosters accountability but also aligns with our commitment to sound financial management practices. Each request will be assessed with careful consideration of its necessity, impact, and alignment with the school's broader financial objectives, safeguarding the integrity of the school's reserves for future needs.

Budget Deficits

School and departments are expected to submit a balanced budget that accurately reflects their specific needs. This budget should effectively manage risks while providing a fair representation of the resources required to support the school's or department's objectives.

A key benefit of careful management of reserves is the ability to provide tailored support where particular financial challenges are presented. In the instance where school discovers it cannot meet its budget, identified during the budget-setting process, they may be permitted to carry a passported deficit, which means that the approved deficit will be accounted for within the overall financial framework of the school. This approach ensures that school receives the necessary support to address their financial challenges while upholding the integrity of the school's financial structure.

It is important to emphasise that while school may access support for a temporary deficit, they will not be permitted to maintain recurrent deficit positions. This facility is intended solely to assist in navigating short- and medium-term financial challenges. The overarching objective is to promote long-term financial sustainability across the school.

Policy Review

This policy will be reviewed by the Finance and Resources Committee every 3 years or sooner if required.