



Reserves Policy

Date Approved	Summer 2025
Next Review Date	Summer 2026

1. Introduction

The Golden Thread Alliance has established this reserves policy to protect its activities by providing financial buffers against an unpredictable environment and to make sufficient provision for future cash flow requirements. The policy also provides the framework for future strategic planning and decision-making. An effectively implemented reserves policy will mitigate the impact of any risk upon the continuing operations of The Golden Thread Alliance caused by funding uncertainty.

This policy and the establishment of reserve targets should be based on a continual assessment of the internal and external operating environment.

The Charity Commission reminds directors that:

- Charity law requires any income received by the Trust to be spent within a reasonable period of receipt.
- A good reserves policy takes into account the Trust's financial circumstances and other relevant factors.
- It is good practice to monitor the level of reserves throughout the year

2. Types of Reserves

Reserves are the representation of the cash balance available at the period end. In charity accounts, which are used for academies, this cash is transferred into fund balances. These balances can be for "restricted" or "unrestricted" purposes depending on their source.

2.1 Unrestricted Reserves

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

If part of an unrestricted income fund is earmarked for a particular project it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent. Unrestricted reserves will be generally achieved through operating efficiencies and any from trading company profits.

2.2 Restricted Reserves

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

3. Key Policy Principles

The following principles underpin the Trust's approach to reserves management:

- The Trust will set a balanced revenue budget every year.
- The Trust's reserves balance should only decrease due to capital investment and/or other organisational needs which shall at all times be approved by the Finance, Audit & Risk Committee.
- All reserves are Trust reserves, however individual school reserves balances will be reported in order to facilitate administrative requirements and for the purposes of statutory accounting.
- The Trust's general reserves balance may be comprised of restricted or unrestricted reserves.

4. Trust General Reserves Balance

The Trust general reserves balance will be maintained at a minimum level of 5% of the Trust's general annual grant (GAG).

The Trust will set a maximum limit for its reserve funds of 8% of the Trust's GAG.

Reserves in excess of the maximum limit will be reviewed and monitored by the Chair of the Trust Board, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer on a monthly basis to identify any trends in spending and to rectify issues where they arise. Reserves will be reviewed by the Board of Trustees, who may release funds into the revenue budget in furtherance of the Trust's objectives or re-invest the funds to generate extra income for the trust's activities.

The combined amount that schools are required to contribute to reserves will vary each year, as this amount is defined by what is required to make the reserves balance equate to at least 5% of the Trust's GAG.

The combined schools' contribution will be set annually for the following year once Management Accounts are completed and will be based on the forecasted current year - end reserves balance at that point, together with estimated combined GAG for the following year. Contributions will then be included in schools' budgets for the following year.

5. Sinking Funds

Sinking funds for specific regeneration projects, for example the replacement of an all-weather pitch, fall outside of the general reserves balance and should be agreed annually by the Finance, Audit & Risk Committee. Contributions to sinking funds should be derived from trading company profits or the Committee may at its discretion allocate funds from the general reserves balance.

6. Joiner Schools

A surplus balance brought forward into the Trust by a joining school shall be deployed as follows, in priority order:

1. To address urgent compliance and health & safety issues at the time of conversion, as well as other urgent requirements determined by due diligence, eg school improvement. Compliance and health & safety issues will normally be determined by a condition survey commissioned by the Trust.
2. 90% of any remaining balance brought forward will be designated to the school and 10% will be added to Trust general reserves.

7. Academies in Deficit

In exceptional circumstances, individual schools may propose a deficit budget. Such a budget must be accompanied by a recovery plan approved by the Finance, Audit & Risk Committee and Trust Board, resulting in the deficit being 'repaid' within a timeframe deemed acceptable by the Committee.

Schools with a cumulative deficit shall continue to contribute all in-year surplus to reserves until it has achieved a cumulative surplus position.

8. Expenditure Against Reserves Balances

Trustees may temporarily decide to increase the reserves balance over the maximum limit of 8% of the Trust's total GAG, for example to fund a specific school improvement initiative. Expenditure that subsequently draws on reserves must be approved in advance by the Finance, Audit & Risk Committee.

In exceptional cases, for example where expenditure is necessary to comply with a statutory requirement, reserves may be spent without prior approval (but subject to purchasing authority limits within the Finance Policy) but must be reported at the next Finance, Audit & Risk Committee meeting.