

Denefield School

Financial Reserves Policy

Approved by Resources Committee on	8 October 2025
Date of next review	October 2026
Review cycle	Annual
Policy control sheet updated	Yes
Type of policy	Required by Academy Trust Handbook
Policy owner	Finance and Business Director
Location of policy	Denefield School website

Financial Reserves Policy

Purpose

This policy outlines the principles and framework for maintaining financial reserves at Denefield School. It ensures Denefield remains financially resilient, can manage unforeseen events, and supports long-term strategic planning in line with DfE guidance and the Academies Trust Handbook.

The main purpose of the reserves policy is to ensure that Denefield has sufficient resources to:

- deal with financial uncertainties and emergency situations, such as the cost of emergency building repairs, or a significant fall in student numbers
- mitigate the risk of being unable to meet short term obligations
- help meet the cost of planned investment in school infrastructure which does not attract external funding.

Denefield is required under charity law¹ and under section 2.8 of the [Academy Trust Handbook 2025](#)² to have a reserves policy.

Scope

This policy applies to unrestricted and restricted reserves held by the academy trust, including general reserves and designated funds. It excludes capital funds and restricted grants earmarked for specific purposes.

Definition

“Reserves” or **“working reserves”** are defined as the portion of the academy’s funds that are not committed or earmarked for specific purposes and are freely available to spend on the school’s main objectives. For an academy, working reserves typically include:

- **unrestricted funds** - funds generated from trading activities, donations, or other income not tied to specific conditions, such as income from lettings or donations given freely with no conditions attached, and
- **restricted funds** - funds which Denefield receives for the delivery of its main educational objectives, for example grants from the DfE, or grants or donations tied to a specific purpose, where the purpose of the funding has been fulfilled but a portion of the funds remain.

¹ As an academy, Denefield is an ‘exempt charity’ regulated by the DfE.

² 2.8 The board of trustees must [...] set a policy for holding reserves, and explain it in its annual report, including a clear plan for managing reserves.”

- **designated funds** – funds which trustees have earmarked for a particular purpose, such as the replacement of the 3G pitch surface.

Working reserves exclude the 'restricted fixed asset fund', representing the value of the school's fixed assets, or longer term obligations such as the 'restricted pension reserve'³. This is because fixed assets are necessary for the long-term delivery of education and cannot be sold to meet short term financial commitments. Similarly, the pension obligation is not immediately repayable, and therefore provides the academy with a greater degree of financial freedom in the short term.

Objectives

Denefield aims to:

- Maintain a prudent level of reserves to ensure financial stability and resilience.
- Provide a buffer against uncertainties or unexpected financial pressures or emergencies.
- Support strategic investment in educational improvement and infrastructure.
- Comply with statutory and regulatory requirements.

Considerations in setting the level of reserves

In setting an appropriate level of reserves, trustees will take into account:

- the school's annual budget and anticipated funding over the next three to five years
- cashflow considerations and month-on-month working capital requirements.
- plans for infrastructure improvements, curriculum development, and investment in the school site.
- the key financial and other risks that Denefield faces
- the need to ensure that the pupils of today receive maximum benefit from available funding whilst maintaining financial sustainability.

The trustees review annually the level of reserves that Denefield needs based on risk assessment and strategic priorities.

Denefield's target level of reserves

Denefield aims to maintain working reserves in the range £500k to £600k. This range provides flexibility and equates to:

- 5.4%- 6.6% of total annual income.
- approximately one month's employment costs, (the school's main monthly outgoing)

³ This fund includes Denefield's share of the Local Government Pension Scheme deficit.

Use of reserves

Another way of looking at the level of reserves is to set out the way reserves might be used. These include:

- managing cash flow fluctuations
- responding to unexpected emergencies such as urgent repairs, funding delays, or business interruptions
- strategic capital investments in school infrastructure, site and curriculum development.
- managing short-term operational losses and supporting deficit recovery as a result of unexpected cost increases, fall in student numbers, and shortfalls in funding.
- building up a designated reserve of around £200k for the replacement the 3G pitch surface every 10 years.

Trustees believe that reserves in the range £500k to £600k provide sufficient buffer to cover the scenarios above whilst ensuring that existing students are not disadvantaged.

Monitoring and reporting

This policy will be summarised in the trustees' annual report accompanying the audited financial statements, as required by charity law and the Academy Accounts Direction.

Resources Committee regularly reviews the level and use of reserves as part of its scrutiny of the monthly management accounts, and if necessary will propose ways of bringing the level of reserves back in line with the target.

The annual budget will include a reserves forecast and a three year reserves projection. Use of reserves must be authorised by Resources Committee and approved by the full Trust Board at the next available meeting. Use of reserves must be consistent with the purpose of the reserve as described in this policy.