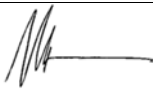




OUR LADY OF GRACE CATHOLIC ACADEMY TRUST

RESERVES POLICY

(updated for Academy Trust Handbook 2026 and 2025–26 financial reporting)

Presented to OLOG Audit & Risk Committee	08/10/26 presented
Presented and Approved by OLOG Board of Trustees	15/10/26 approved
Signature of Chair of Board of Trustees:	
Name of Chair of Board	Mick Coleman
Date	15/10/2026
Version	9
Next review date	December 2028

2026 Handbook & Reserves Reporting Changes

This schedule records the principal amendments made in Version 9. The changes align the policy with the Academy Trust Handbook 2026, the Academies Accounts Direction 2025 to 2026, DfE reserves-management guidance and the Trust's intention to manage and report available revenue reserves on an increasingly trust-wide basis. All new or amended wording is highlighted in yellow.

Area	Version 9 change
Trust-wide reserves presentation	Introduced a single headline 'Trust revenue reserves' measure from the 2025–26 financial statements onward wherever the statutory reporting framework permits, while retaining all underlying fund and academy disclosures required by the Accounts Direction, SORP and DfE returns.
Definition of reserves	Updated the distinction between free reserves, total revenue reserves, restricted funds, fixed asset funds and pension balances so the policy does not imply that statutory fund classifications disappear.
Reserves target	Retained the Board's 5%–10% target range but expressed it as a trust-wide revenue-reserves planning measure and clarified that the Board should determine a specific contingency level within that range through annual planning.
Plan for reserves	Added the 2026 Handbook requirement for a clear plan for managing reserves and linked reserves above the contingency requirement to identified strategic uses over the medium term.
Going concern	Strengthened the link between reserves, three-year forecasts, cash flow, financial sustainability and the Board's going-concern assessment.
GAG carry-forward	Removed outdated wording implying a general DfE cap on GAG carry-forward and reflected the current Handbook position for eligible trusts.
MAT transparency	Added the new 2026 requirement to publish an annual summary statement explaining how funds are distributed across the Trust's schools and whether income or reserves are pooled.
Financial statements	Replaced the obsolete SORP 2005 reference and aligned annual-report/reserves disclosures with the current SORP, Accounts Direction and model accounts.
Monitoring	Strengthened monthly/termly monitoring, annual review, contingency analysis and action where reserves fall outside the approved range.
Inter-school cash flow	Reframed temporary transfers as treasury/cash-flow management within the Trust and clarified that they do not override statutory fund accounting or any restrictions on funds.

Introduction

The Board of Trustees must set a policy for holding reserves and explain that policy in the Trust's annual report, including a clear plan for managing reserves. As an exempt charity and charitable company, the Trust must also comply with the applicable Charities SORP, DfE Academies Accounts Direction, model accounts and Academy Trust Handbook.

The Department for Education's current Academies Accounts Direction and model accounts set the statutory financial-statement presentation and disclosure requirements for academy trusts. This policy governs how the Trust plans, monitors and explains its reserves and must be read alongside those requirements.

Definition of Reserves

For reserves-policy purposes, the Trust distinguishes between free reserves and its wider revenue reserves. Free reserves are the part of unrestricted funds that is freely available to spend on the Trust's charitable purposes, excluding restricted funds, endowment funds, tangible and right-of-use fixed assets held for the Trust's use, and amounts formally designated for essential future spending. Revenue reserves used for Trust financial planning may include unrestricted and eligible restricted revenue balances, but exclude restricted fixed asset funds and pension reserves.

This distinction enables Trustees to identify both the resources that are freely available and the wider revenue-reserves position used for financial sustainability, contingency and strategic planning. The Trust will maintain sufficient underlying accounting records to identify all statutory fund classifications and restrictions even where management reporting presents a single headline revenue-reserves figure.

From the 2025–26 financial statements onward, the Trust intends, wherever permitted by the applicable reporting framework, to present and discuss its available revenue reserves using a single headline measure described as 'Trust revenue reserves'. This is a management and narrative presentation of the Trust-wide revenue-reserves position; it does not merge, reclassify or remove the legal and accounting distinction between unrestricted, restricted, designated, fixed-asset and pension funds. The statutory financial statements and notes will continue to provide the fund analyses, academy-level information and other disclosures required by the current Charities SORP, Academies Accounts Direction and model accounts.

It remains the responsibility of Trustees to ensure that restricted funds are applied only for their specified purposes and within an appropriate timeframe. Trust-wide reserves management and any aggregation used for internal or narrative reporting do not change the restrictions attached to individual grants or funds.

Why does the academy hold free reserves?

The Trust will hold an appropriate level of revenue reserves to provide financial resilience, manage uncertainty and support planned strategic investment. The Board will identify the amount held specifically as contingency separately from reserves that have an active plan for use.

The Trustees require sufficient revenue reserves to support the Trust's strategic priorities, including the long-term aims in academy and Trust development plans, cyclical renewal, demographic change and unforeseen contingencies. Reserves above the approved contingency requirement should have a clear intended use or medium-term plan rather than being accumulated without purpose.

The Trustees may also plan for future capital expenditure from available resources where appropriate. Capital grants and restricted fixed asset funds will continue to be accounted for separately where required by their terms and by the statutory reporting framework. The availability of DfE capital programmes does not remove the need for prudent estates and capital planning.

The academy is required to consider what level of reserves it is appropriate to hold in order to demonstrate appropriate financial management, stewardship and sustainability. The trustees wish to do this to provide assurance to all the academy's stakeholders that it is being managed in a prudent manner for the best interests of its beneficiaries.

The trustees also want to provide confidence that there is a strong justification for the reserves held by the academy, and that they wish to be open and transparent on all aspects concerning its reserves policy. In doing this the academy has considered the following areas.

Working Capital

Any organisation needs working capital to allow it to meet its liabilities as they arise – this is a key going concern requirement. Cash or other liquid assets are required to meet normal operating expenditure.

The Trust's monthly DfE funding profile generally supports working capital, but the Board will not assume that reserves are unnecessary for liquidity. Cash-flow forecasts will be reviewed alongside reserves because accounting reserves are not necessarily held wholly in cash and timing differences, exceptional expenditure or funding changes can create short-term liquidity pressures.

Financial risk management

All academies are subject to a wide range of risks, many of which have financial implications. Contingency funds are appropriate to be held as mitigation against the effect of such risks. The academy has a formalised approach to risk management which identifies major risks that it faces, assesses their severity in terms of impact and likelihood, and identifies mitigating actions.

The financial risks that are mitigated by the holding of reserves include:

- changes in pupil numbers, funding rates or the timing/cessation of grants;
- pay, pension, energy, estates, SEND and other cost pressures that exceed budget assumptions;
- urgent health and safety, building, digital or operational expenditure;
- planned investment required to deliver Trust-wide strategic priorities or respond to structural/demographic change.
- Increase in expenditure when special projects are undertaken (e.g. contributions to capital projects incurred in relation to capital bid submitted for specific project)

Future development

As part of their strategic planning the trustees also consider the need for funds to develop their activities or to consider new opportunities to assist their beneficiaries (e.g. extension of school).

Reserve fulfilment

By their nature free reserves are deemed to be readily available for application, however they are not required to be held in either cash or "near cash" assets. As a result there may be a need to convert underlying assets into cash in order to fulfil a reserve utilisation.

Explanation of the Policy in the Accounts

The Trustees' Annual Report will explain the Trust's reserves policy in accordance with the current Charities SORP, Academies Accounts Direction and model accounts. It will explain the level of reserves held, why they are held, the approved contingency approach and the Trust's plan for managing material balances. Designated and restricted funds will be disclosed where required by the statutory reporting framework.

A summary of this policy will be included in the Trustees' Annual Report each year and considered by the Audit & Risk Committee and Board as part of approval of the annual report and financial statements. The narrative may use the single headline 'Trust revenue reserves' measure to explain the Trust-wide position, provided it reconciles to the audited accounts. The statutory notes will continue to identify unrestricted, restricted general, restricted fixed asset, pension and designated funds, and academy-level balances where required by the current Accounts Direction and model accounts. Where actual reserves differ materially from the Board's approved policy range or contingency requirement, the annual report will explain the reasons and the planned response.

For the avoidance of doubt, the objective of single-line reporting is to simplify the headline presentation of available revenue reserves and reinforce Trust-wide financial stewardship. It does not permit the Trust to offset or obscure restricted funds, pension balances, fixed asset funds, academy deficits or other amounts that the statutory framework requires to be separately disclosed.

Reserves policy and Going Concern considerations

The reserves policy forms part of the Board's assessment of financial sustainability and going concern. The Trust's reserves position, cash flow, three-year budget forecast, pupil and funding assumptions, committed expenditure and principal financial risks will be considered together when assessing whether the Trust can meet its liabilities and continue to operate as a going concern.

At year end, the Board will consider actual reserves, the approved reserves plan, cash-flow forecasts and the latest three-year financial plan when assessing going concern for at least 12 months from the date the statutory accounts are authorised for issue. If the Accounting Officer considers that the Trust's ability to continue as a going concern is at risk, the Board will take timely action and notify DfE where required by the Academy Trust Handbook.

As part of the annual financial planning process and approval of the three-year budget, the Trustees will determine the appropriate Trust-wide revenue-reserves position. The Trust's planning range is 5%–10% of total Trust revenue income. Within that range, the Board will approve a specific contingency requirement having regard to the Trust's risk profile, forecast volatility, pupil numbers, staffing and pension costs, estates needs, cash flow and strategic plans. Reserves above the contingency requirement should be linked to identified future expenditure or strategic priorities; reserves below the approved level should be supported by a credible recovery or mitigation plan.

When does the academy consider its reserves policy?

Monitoring and oversight of Trust revenue reserves will take place throughout the year through monthly management accounts, cash-flow forecasts and regular reforecasting. Reports to the Board and Audit & Risk Committee will show the single headline Trust revenue-reserves position, the approved contingency requirement, planned uses of reserves, forecast year-end position and any material restricted or academy-level balances that require separate attention.

The Board will review this policy formally at least annually as part of strategic and financial planning. The review will consider whether the 5%–10% planning range and approved contingency requirement remain appropriate and whether reserves have a clear plan for use, consistent with the Academy Trust Handbook.

Trust-wide management and allocation of reserves

From 2026, the Trust will publish alongside its annual accounts the required summary statement of financial arrangements explaining how funds are distributed across its schools, including whether income

or reserves are pooled, how central services are funded and the expenditure attributable to each academy, in accordance with current DfE guidance.

Where monitoring identifies that the resources attributable to an individual academy are forecast to fall below 3% of its income within a year, the CEO and CFO will review liquidity and the underlying financial plan monthly. Where the Trust manages reserves centrally, support between academies will be treated as a Trust-level allocation or treasury/cash-flow management decision, subject to the funding needs of all academies, the scheme of delegation and any legal restrictions on the funds concerned. Where balances are not pooled, any temporary inter-academy cash-flow support will follow the controls below:

- Chair of Finance Audit and Risk Committee, CEO and CFO to approve in writing
- Headteachers of both schools to agree in writing
- CEO and CFO to monitor repayment schedule
- All temporary cashflow transfers to be reported to Trustees
- Longer term transfers must be approved in advance by Trustees and agreed by all parties (i.e. LGC, Headteachers, CEO, CFO)
- A repayment schedule is to be approved, by Trustees and agreed by all parties, in advance of transfer or inter-school loan

Links to other policies/documents

Financial Regulations	Accounting Policy
Risk Management & Risk Map	Academy Trust Handbook
Academies Accounts Direction and model accounts	DfE Managing Academy Trust Reserves guidance