



Capital & Revenue Reserves

Approved by: Trust Board

Last reviewed: June 2026

Next review due: July 2027

CAPITAL & REVENUE RESERVES

Scope

This policy is written and approved at board level, but applies to all members, trustees, governors and employees of schools, settings, and services, hereafter the 'organisations,' within The Claxton Trust.

It has been created using the Academies Handbook, the Academies Accounts Direction, [DfE \(Department for Education\)](#) guidance ([Operating an academy trust as a going concern](#), September 2025), and guidance from The Charity Commission for England and Wales ([Charity reserves: building resilience](#), June 2023).

1. REVENUE

Purpose

The Academies Handbook states that trusts must:

- Ensure that financial plans are prepared and monitored, satisfying itself that the trust remains a going concern and financially sustainable
- Take a longer-term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA.

The trustees understand that there is an important balance between using allocated General Annual Grant (GAG) funding on their current pupils and maintaining a prudent level of reserves designed to meet future unforeseen expenditure.

Academies have a high percentage of fixed costs, including payroll, but receive some funding in arrears. An academy trust cannot borrow or take out an overdraft so it must maintain adequate unrestricted reserves to ensure that individual schools and settings remain liquid throughout the budget year.

Approach

Each organisation within the trust maintains its own reserves. The required unrestricted reserves for each organisation are agreed during the budget setting process each year. The trustees will base their decision on their assessment of the risks for a particular organisation considering short term and medium term financial forecasts, including cash flow forecasts.

For 2024-25, the level of unrestricted reserve required is:

School or setting	Reserve required
Fairlands Primary School	£300,000
Camps Hill Primary School	£200,000
The Claxton Trust	£20,000

Where an organisation has a significant shortfall in reserves (less than 75% of the expected reserve), this will be reported to the local governing body and the audit and finance committee. A medium term recovery plan will be developed by the chief financial officer with the headteacher and submitted to the audit and finance committee for approval. The duration of the plan will depend on the organisation's financial position but should last no longer than 3 years.

If levels of reserves are above the required level at year end, individual organisations will identify how surplus reserves will be used to benefit their pupils. This may include ring-fencing reserves to contribute to long term capital planning. All expenditure is still subject to normal approval limits.

Development plans will be available for the ESFA to view on request.

Reserves are pooled across the Trust. The required unrestricted reserves are agreed during the budget setting process each year. The trustees will base their decision on their assessment of the risks for the entire organisation considering short term and medium-term financial forecasts, including cash flow forecasts.

For 2026-27, the level of unrestricted reserve required is £525,000.

Where an organisation has a significant shortfall in reserves (less than 75% of the expected reserve), this will be reported to the local governing body and the audit and finance committee. A medium-term recovery plan will be developed by the chief financial officer with the headteacher and submitted to the audit and finance committee for approval. The duration of the plan will depend on the organisation's financial position but should last no longer than 3 years.

If levels of reserves are above the required level at year end, individual organisations will identify how surplus reserves will be used to benefit their pupils. This may include ring-fencing reserves to contribute to long-term capital planning. All expenditure is still subject to normal approval limits.

Development plans will be available for the ESFA to view on request.

Using reserves

The chief financial officer, in conjunction with the chief executive officer, as accounting officer, is responsible for ensuring compliance with the trust's policies and procedures.

Within a financial year, organisations should be able to use reserves flexibly to manage fluctuations in day-to-day expenditure. Such use of reserves is monitored in the management accounts and the trustees will accept a tolerance of +/-25% of expected reserves throughout the year. It is expected that short term use of reserves will be repaid within the financial year.

Reserves can also be used to deal with unexpected emergencies, such as urgent maintenance, or to manage unforeseen circumstances that have a negative financial impact. In these circumstances, normal approval limits still apply, and expenditure is reported to the audit and finance committee by the chief financial officer. If reserves cannot be recouped within the financial year, a medium-term recovery plan will then be put in place.

Deficit balances

If, in exceptional circumstances, an organisation within the trust is forecasting or has a negative reserve (a deficit), the trustees will provide additional support to ensure that the organisation remains liquid. In such circumstances, the trustees must review the unrestricted reserves across the trust to ensure that the trust remains a going concern. If there are concerns about the liquidity of the trust, the trustees may ask the chief financial officer to assess if other organisations within the trust have capacity to temporarily increase their reserves until the deficit is repaid.

The organisation with a deficit must submit a recovery plan and cash-flow forecast to the trustees for approval. The trustees will also:

- Discuss whether they need to temporarily adjust the normal approval limits whilst the organisation remains in a deficit position
- Assess whether the organisation requires a temporary cash loan from elsewhere in the trust to ensure liquidity.

The outcome of these discussion will be confirmed to the headteacher in writing.

Progress against the recovery plan will be monitored at least monthly by the audit and finance committee until the organisation has adequate reserves (normally a minimum of half the expected reserve). Once the trustees are satisfied that the organisation has adequate unrestricted reserves in place, any temporary adjustments to the approval limits will be removed and any loans repaid.

2. CAPITAL

Purpose

The Education and Skills Funding Agency (ESFA) provides minimal capital funding in the way of Devolved Formula Capital Grant. In addition, academies can bid for a share of the Academies Capital Maintenance Fund or may receive capital grants from other sources.

The trustees of The Claxton Trust may choose to carry unspent capital funds forward or build up a capital reserve to fund future capital expenditure for an individual school or setting. Schools or settings may also choose to transfer surplus revenue reserves to capital reserves. Capital reserves may be restricted or unrestricted.

No capital reserves should be retained in relation to capital funds having been granted for a specific project. Any balances of such funds should be returned to the ESFA or the relevant provider.

Capital reserves will never be used for revenue expenditure. The chief financial officer undertakes a monthly reconciliation and reports capital income and expenditure in the monthly management accounts.

Procedure

The chief financial officer, in conjunction with the chief executive officer, as accounting officer, is responsible for ensuring compliance with the trust's policies and procedures.

- The chief financial officer will propose a capital reserve schedule to the board of trustees, identifying the need to replace assets and the related sums required.
- The board of trustees will agree the value of capital reserves to be created in a year as part of the budget approval process.
- Funds will be clearly accounted for and taken into consideration when reporting the revenue cash flow position.
- Spend of the capital reserve fund will be in line with authorisation limits within the procurement & tendering policy.
- The chief financial officer will monitor capital expenditure throughout the year and report to the trustees via the monthly management accounts.