Harbour
Schools Partnership
A guiding light for education

Balance and Reserves Policy

Date Adopted: September 2025
Author/owner: Board of Trustees
Review: Annually

NB. 'Trustees' means the Directors referred to in the Trust's Articles of Association

History of most recent policy changes

Version	Date	Page	Change	Origin of Change e.g. TU request, Change in legislation
V1.0	Sep 25	New	New policy for THSP	

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1 Introduction

The Harbour Schools Partnership 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, large unplanned expenditure, and capital improvements. The policy also provides the framework for future strategic planning and decision- making. An effectively implemented reserves policy will mitigate the impact of risks upon the continuing operations of the THSP caused by funding uncertainty or unforeseen events. This policy and the establishment of reserve targets should be based on a continual assessment of the internal and external operating environment.

2 Types of Reserve

Reserves are the representation of the cash balance available at the end of the period. In charity accounting (used for Multi Academy Trusts), this cash is transferred into fund balances. The unrestricted reserves of the each academy within the Trust will be pooled, unrestricted funds represent those resources which may be used towards meeting any of the charitable objectives of the Trust at the discretion of the Trustees.
Designated funds are part of unrestricted funds that have been set aside to be used for a particular future project or commitment. Although earmarked, a designated fund remains part of the unrestricted funds of the trust. This is because the designation does not legally restrict the Trustees' discretion in how to apply the unrestricted funds that they have earmarked.

Restricted fixed asset funds are resources which are to be applied to specific capital purposes imposed by funders where the asset acquired or created is held for a specific purpose.

Restricted general funds comprise all other restricted funds received with restrictions imposed by the funder/donor and include grants from the ESFA. Restricted general funds are not pooled by the Trust.

3 Key Policy Principles

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

- The Trust will aim to set a balanced in-year revenue budget every year for each academy and the central service. In some years an in-year deficit or surplus may be permitted. This may be due to a lag between expected funding and expenditure, planned use of reserves over the minimum stated in the policy or some other exceptional reason. Where this occurs and reserve levels are below the policy threshold, this must be justified by a 3-year forecast that the impact on reserves is expected to be mitigated in future years.

- Academy's Reserves and Central Reserves balances should only decrease below the expected levels without expected replenishment in the following years due to capital investment and/or other organisational need which shall be approved by the Board of Trustees.

4 Setting of Reserves

The Trust's level of reserves can be expressed as a target figure or a target range or % of turnover and should be informed by:

- its forecasts for levels of income for the current and future years, considering the reliability of each source of income.
- its forecasts for expenditure for the current and future years on the basis of planned activity;
- its analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs I.e. capital investment
- its assessment, on the best evidence reasonably available, of the likelihood of each of those needs that justify having reserves arising and the potential consequences for the academy of not being able to meet them.

- Its assessment of any activity as a going concern and implications of the cessation of such activities
- Restricted Capital Funding is not included in the General Reserve level

5 Limit of Reserves

The Trust should not set a level of reserves above the limits permitted by the DfE that may result in a claw-back of funds by the DFE.

Reserves from unrestricted funds are at the discretion of the Trust.

6 Monitoring of Reserves

The level of reserves should be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to.

- identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken;
- identify when reserve levels rise or fall significantly above or below target, the reasons and any corrective action, if any, that needs to be taken
- ensure that the reserves policy continues to be relevant as the academy develops or brings on board new activities;
- review the statement on reserves in the Trustees' annual report where there have been significant changes in the reserves policy or level of reserves held.

7 Reserve Levels

The level of reserve that the Trust considers prudent for its current operational environment for its academies is 5% of revenue income.

The level of undesignated reserve carried into 25-26 is £4.68m which is approximately 6.7% of projected income for the year. For 25-26 the Trustees have agreed the use of some Trust reserves to support an in year deficit budgets across schools to support them through a prolonged period of uncertainty over levels of government funding, falling roll and a SEND funding crisis.