



St Edmundsbury and Ipswich
Diocesan Multi Academy Trust

Reserves Policy

Date approved:	3 March 2025
Next Review Date:	February 2026
Body Responsible for Review:	Finance & Audit Committee

This Reserves Policy (the 'Policy') is designed to ensure that the Trust holds sufficient:

- reserves to meet its strategic and charitable objectives; and
- levels of liquidity to ensure its financial obligations are met as they fall due.

This Policy should be read in conjunction with Section 10 of the Trust's Financial Policies and Procedures document.

1. Introduction

- 1.1 St Edmundsbury and Ipswich Diocesan Multi Academy Trust (the 'Trust') is responsible for the effective and efficient use of available financial resources. These responsibilities are outlined by the Charities Commission (<https://www.gov.uk/government/publications/charities-and-reserves-cc19>), and in the Academies Financial Handbook.
- 1.2 The Trust is ultimately responsible for the allocation of resources to deliver the vision of the Trust. Within this context, the Board of Directors (the 'Board') delegates responsibility for the day-to-day management of agreed finances and reserves to the Accounting Officer, as outlined in the scheme of delegation and within the constraints of budgets approved by the Board.
- 1.3 The Accounting Officer is accountable to the Board to maintain the level of reserves as outlined in this Reserves Policy and to obtain approval from the Board, via the Finance & Audit Committee, for any expenditure against these reserves.
- 1.4 The Accounting Officer delegates responsibility for the day-to-day management of the Trust's financial reserves to the Chief Financial Officer (CFO).
- 1.5 The Department for Education has issued guidance that indicates trusts holding reserves of less than 5% of in-year income are likely to be displaying signs of financial distress, whilst trusts holding in excess of 20% are holding excessive levels of reserves:
<https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/academy-trust-reserves>

2. Types of Reserves

2.1 Unrestricted Reserves

- Derived from income funds, grants or donations that can be spent at the discretion of Directors in furtherance of the Trust's strategic and charitable 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 from any trading activity surplus.

2.2 Restricted Reserves

- Mainly derived from government grant funding through the Education and Skills Funding Agency (ESFA)) 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 agreements and contracts. In the case of ESFA funding, this is as detailed in the Trust's Funding agreement. In all cases, restricted funds must be allocated as the donor has specified.

2.3 Capital Reserves

- Mainly derived from Government funding to be allocated to Capital Projects and spent in accordance with the Funding Agreement. This will be monitored centrally to ensure that funding is spent within the allocated time period.

3. Purpose

3.1 This Policy:

- assists in strategic planning by considering how new projects or activities will be funded;
- informs the budget process at Board level by considering whether reserves need to be used during the financial year or built up over time for future projects;
- enables investment decisions to be made at a Board level, where necessary utilising reserves across the Trust;
- informs the budget and risk management process by identifying any uncertainty in future income streams;
- provides clarity on the minimum level of liquidity reserves to be maintained to ensure financial obligations can be met as they fall due, and outlines action required where these minimums are not met; and
- outlines action to be followed if individual schools are forecasting breaches of minimum reserve levels.

4. Application

4.1 When considering appropriate levels of reserves, the Board considers:

- the risk of unforeseen emergency or other unexpected needs for funds;
- a fall or rise in sources of income;
- planned commitments, or designations, which cannot be met by future income alone – e.g. plans for a major capital project;
- the need to fund potential deficits in a cash budget – e.g. money may need to be spent before funding is received; and
- the full range of financial risks identified.

5. A Balanced Budget

5.1 Schools within the Trust are expected to set and maintain a balanced budget where costs are met from income each year. Accumulated reserves can be utilised, subject to the provision of this Policy.

5.2 Where an individual school is unable to demonstrate an ability to develop and manage a balanced budget, the Board reserves the right of intervention.

6. Maintaining a Minimum Level of Reserves and Liquidity

6.1 Schools

- 6.1.1 Individual schools must maintain, as a minimum, forecast and actual reserves balance equal to 10% of total annual revenue funding. Forecast period includes the current academic year, plus the next two academic years.
- 6.1.2 For the purpose of section 6.1 of this Policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves and other specifically designated funds (e.g. funds held for Board approved projects).
- 6.1.3 The minimum level of reserves is ultimately limited by the need to maintain a positive cash accounting position for the Trust and may, therefore, be subject to change.
- 6.1.4 All surplus reserves over 10% may be considered by the Board for all strategic or emergency initiatives within the Trust.
- 6.1.5 The Board will:
- seek to maintain the aggregate of individual school reserves, amounting to a minimum of 10% of all revenue income;
 - review the opportunities and risks at a Board level, in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and longer-term;
 - require a recovery plan to be submitted for review and approval from schools which have experienced, are experiencing, or are forecasting a level below 5% for a period of two consecutive years or more; and
 - require an annual proposal of how reserves will be built up for those schools not currently holding reserves at 10% of revenue funding.

6.2 Trust

- 6.2.1 The Trust should centrally maintain sufficient liquidity funds to ensure the Trust can meet its financial obligations as they fall due during the next two months.
- 6.2.2 For the purpose of section 6.2 of this Policy, liquidity reserves are deemed to include all forms of high-quality liquid assets, including cash held at bank and investments that can be immediately converted into cash.
- 6.2.3 Cashflow forecasts should be centrally maintained, and the Board informed of any potential shortfalls in cash reserves that put the Trust in risk of not being able to meet its financial obligations.
- 6.2.4 Should cash reserves fall below the minimum amount that should be held, the Board should be presented with credible management actions ('path to green') that can be taken to restore cash reserves to their minimum level.
- 6.2.5 The Board will tolerate a breach to risk appetite providing sufficient cash reserves are held to meet financial obligations as they fall due within the next month and credible management actions have been identified.

7. Additional funds available to support individual schools

7.1 Schools can apply to the Board to use additional resources which would reduce their reserves below the agreed minimum level, subject to:

- the Board is able to maintain the required minimum levels of reserves in aggregate across all schools as outlined above;
- the school can provide a three-year budget which shows a return to minimum reserves by the end of a three-year period; and
- the Board, in its discretion, approves the use of additional funds based on a business case submitted by the school.

7.2 This Policy is the responsibility of the Board, delegated to the Finance & Audit Committee and decisions involving the use of reserves will be made in accordance with all Articles of Association and Master Funding Agreement of the Trust.

8. Schools joining the Trust

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

- To address urgent compliance and health and safety issues at the time of conversion, as well as other urgent requirements determined by due diligence - e.g. school improvement. Compliance and health & safety issues will normally be determined by a condition survey commissioned on joining.
- Any remaining balance brought forward will be added to the general reserve noting any specific project or programme the reserves have been accumulated for.
- Schools that are accepted and have a deficit will be the subject of a specific recovery plan agreed with the Board and with the ESFA prior to entry.

9. Monitoring and Reporting

9.1 Each year, the Board will report in the financial statements:

- the level or range of reserves considered appropriate for the Trust;
- the level of reserves held at the end of the financial year;
- how the Trust is going to achieve the desired level or range of reserves; and
- how often the Reserves Policy is reviewed.

9.2 The Finance & Audit Committee will monitor the level of cash reserves held by the Trust, and the level of reserves held by each school and in totality against budgeted and actual expenditure. Where schools fall into deficit, or are anticipated to fall into deficit over the short- to medium term (i.e. the next three years), the Committee expect the relevant school and its local governing body to provide credible actions to remediate their deficit or anticipated deficit position.

10. Review

The Finance & Audit Committee should review the Reserves Policy to ensure it is still fit for purpose, annually.