

Reserves Policy

Every child matters and no child is ever left behind..."

"Let the little children come to me, and do not stop them;
for it is to such as these that the kingdom of God belongs."
Luke 18:15-17

Policy Reviewed: 19th March 2025
Version: 8
Date of Next Review: March 2026
Responsible Officer: COO/CFO

Vision Statement:

At the heart of our vision is our commitment to ensure all of our schools are places where children and young people develop and thrive academically, socially, culturally and spiritually. The drive for excellence and effectiveness in our schools is paramount, but not merely because the Government says so. The enabling of every child to flourish in their potential as a child of God is a sign and expression of the Kingdom and is at the heart of the Trust's distinctive mission. This vision statement will be taken into account in all of our policies and their implementation.

Introduction

1. There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to the Durham and Newcastle Diocesan Learning Trust ('the Trust') in relation to financial planning and monitoring.
2. One of the ways in which the Trust mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.
3. Setting a reserves policy helps inform the way in which the Trust manages its cash, liquid assets and debt.

Types of reserves

4. **Unrestricted reserves**

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the board of trustees in furtherance of the trust's objectives.

Not all of the trust's unrestricted funds, however, will be readily available for spending due to potential adverse impact on the ability of the trust to deliver its aims. In line with this, the following items will be excluded from reserves:

- Tangible fixed assets used to carry out the trust's activities, e.g. land and buildings
- Programme-related investments held solely to further the trust's purposes.
- Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation must be applied.
- Designated funds set aside to meet essential future spending, e.g. funding a project that could not be met from future income
- Commitments that have not been provided for as a liability in the accounts

5. **Restricted reserves**

Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of the trust's objectives or assets, or spent where the donor has expressed the nature of expenditure.

Restricted reserves may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

6. **Designated reserves**

A sum of unrestricted or restricted reserves may be separated and designated a particular purpose, therefore becoming a 'designated reserve', e.g. to purchase a new asset.

Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the board of trustees.

Where a designated reserve has been created, the board of trustees will provide a purpose and a timeframe for spending it.

7. **Pension reserves**

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves.

The board of trustees will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.

The trust aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

Level of Reserves

8. The financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risk to the Trust is that of managing its short-term cash flow effectively. Other major risks included prolonged staff absence and unexpected buildings issues. To mitigate this risk, it has been agreed that an appropriate minimum reserves balance to aim for across the whole MAT would equate to one calendar months' worth of budgeted expenditure both in terms of salaries and invoices which equates to c.8% of the Trusts total annual income.
9. Reserves will be reviewed and monitored by the Trust Board on a termly basis to identify any trends in spending and to rectify issues where they arise. Where unrestricted reserves during the year are below target or exceed target, the Trust Board will consider whether this is due to a short-term situation or a longer-term issue. A broader review of finances and reserves will be undertaken if necessary, and action will be taken where appropriate to replenish or spend reserves.

10. Schools will be expected to set budgets in line with the MAT budget setting and monitoring processes and will be required to seek consent from the CEO/CFO to set an in-year deficit budget. The Trust board will however consider requests for use of school reserves for specific purposes or projects which benefit the school, this decision will be at the Trust board's sole discretion and in any event will not be granted where this could result in the MAT reserve falling below the minimum reserves level set out at paragraph 4 above.

11. Where there is an exceptional educational reason why a school would benefit from additional support from central reserves the CEO has authority to agree a payment from reserves to cover this payment, provided the following conditions are met: -

- the educational proposal and reasons have been authorised by both the Chair of the Trust and at least one other Director
- the CFO has confirmed that this payment would not result in the Trust central reserve going into unplanned in-year deficit
- the decision is ratified at the next available board meeting.
- the agreement to release reserves under this clause must be within the spending limits set out in the Trust Finance Policy

If the above conditions are not met, then any payment from reserves must have the prior agreement of the full MAT board.

Restrictions

12. The DfE are able to set limits on the sum of GAG that can be carried forward from one year to the next. There are currently no limits in place.

13. The DfE does expect Academy Trusts to use their allocated funding for the full benefit of their current pupils. Therefore, the Trust will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit our pupils and recognises that the DfE will investigate plans for reserves should these amount to more than 20% of annual income.

Reporting

14. The board of trustees will disclose in its annual report its policy for building and maintaining reserves and investments, and will include the information required in line with the [Academies Accounts Direction](#) for the relevant reporting year.

15. The trust will disclose information about reserves in its annual report. This will include a review of reserves and details of:

- Where funds are restricted and not available for the general purpose of the trust.
- Any amount designated and the reason why.
- Any amount that can only be realised by disposing of a tangible fixed asset.
- The amount of reserves held after making allowances, the plans in place for the future of these reserves, and the likely expenditure date.

Review of Policy

16. The Reserves Policy will be reviewed by the Trust Finance, Audit and Risk Committee on an annual basis.