Durham and Newcastle
Diocesan Learning Trust (DNDLT)
Company Number 10847279

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: 1st April 2026
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Date of Next Review: March 2027
Responsible Officer: COO/CFO

Vision Statement:

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

Let the children come to me, and do not stop them; for it is to such as these that the kingdom of God belongs.

Luke +

At the DNDLT we believe everyone in our Trust is a child of God, adults and children alike. Every individual and every school matters, all are valued and celebrated, and no one should be left behind.

As a Diocesan Trust of the Dioceses of Newcastle and Durham we are here to serve children, and schools of all faiths and none. We welcome both Church of England and Community Schools to join us to serve our communities in the North East of England as part of our Trust family whilst remaining unique and distinct within their local context.

The Durham and Newcastle Diocesan Learning Trust is a place where we strive for the best outcomes for our children and staff. We work hard to achieve equity and flourishing for everyone. We want our staff and children to feel valued and celebrated given the opportunity to innovate and reach their full potential. We want our schools to be at the heart of their communities serving them in the way they know best, knowing they will be supported, encouraged and affirmed by a dedicated and specialist team.

Introduction

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.

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.

Setting a reserves policy helps inform the way in which the Trust manages its cash, liquid assets and debt.

This Reserves Policy supports the Trust's commitment to strong financial governance, sustainability and value for money. In line with the Academy Trust Handbook and Charity Commission guidance, reserves are held to ensure the Trust can manage financial risk, maintain continuity of education for current pupils, and meet its obligations as a going concern, while avoiding the accumulation of excessive funds without a clear and defined purpose.

Legal Framework

This policy has been developed with due regard to the following legislation and statutory guidance:

- Department for Education – *Academy Trust Handbook (2025)*
- Charity Commission – *Charity reserves: building resilience*
- Department for Education – *Academy trust reserves: guidance*

This policy operates in conjunction with the following Trust documents:

- Articles of Association
- Funding Agreement
- Finance Policy
- Conflicts of Interest Policy

Roles and Responsibilities

The Board of Trustees is responsible for:

- Setting this policy for holding reserves and explaining it in its annual report, including a clear plan for managing reserves
- Ensuring the Trust's reserves are maintained and used only as described in this policy
- Ensuring appropriate financial controls and risk management procedures are in place
- Identifying when reserves need to be drawn upon and understanding the reasons for this
- Identifying longer-term financial issues where reserves are regularly used or fall below the minimum level
- Maintaining the Trust as a going concern

While certain responsibilities may be delegated in accordance with the Trust's Scheme of Delegation and Finance Policy, ultimate accountability for the management and use of reserves remains with the Board of Trustees.

The Finance Committee is responsible for:

- Making financial recommendations to the Board of Trustees
- Carrying out responsibilities in line with the Scheme of Delegation
- Adhering to and implementing this policy

The Chief Financial Officer (CFO) is responsible for:

- Monitoring reserves and reporting regularly to the Board or Finance Committee
- Explaining any shortfall or excess in reserves
- Comparing reserves held with the minimum and maximum limits set out in this policy

- Reporting actions taken or planned to bring reserves back within agreed limits

The Purpose of Reserves

Reserves will have a specific purpose, in line with the Trust's objectives, relating to future spending or covering current and future risks. The purposes for holding reserves will be transparent.

Reserves are held to ensure unexpected financial events do not cause operational difficulties, cash-flow issues, or an in-year deficit. Purposes may include:

- Covering unforeseen emergencies or unexpected expenditure
- Covering short-term operational pressures
- Managing income disruption, such as delayed or withdrawn grants
- Preparing for planned commitments that cannot be met from future income alone
- Funding short-term budget deficits arising from timing differences

The level and purpose of reserves are informed by an assessment of financial and operational risks, including cash-flow volatility, staffing pressures, estate liabilities and changes to funding. This risk-based approach ensures reserves remain proportionate, purposeful and aligned to the Trust's strategic objectives.

Types of Reserves

Unrestricted Reserves

Unrestricted reserves include income funds, grants and donations and may be spent at the discretion of the Board of Trustees in furtherance of the Trust's objectives.

Not all unrestricted funds are readily available for spending. The following are excluded from reserves:

- Tangible fixed assets used to carry out the Trust's activities
- Programme-related investments
- Restricted funds with donor-specified purposes
- Designated funds set aside for essential future spending
- Commitments not provided for as a liability in the accounts

In determining whether unrestricted funds are available for use as reserves, the Trust will consider operational necessity, liquidity, and the potential impact on the delivery of educational outcomes.

Restricted Reserves

Restricted reserves may include restricted income funds, grants or donations and will be used in accordance with donor intentions.

Designated Reserves

Designated reserves are unrestricted or restricted funds set aside for a specific purpose. They remain under trustee control and may be re-designated if circumstances change.

Pension Reserves

Pension risks are considered when assessing reserves. The Trust aims to meet pension obligations from future income without setting aside designated reserves specifically for pension liabilities.

Level of Reserves

Following a review of financial and operational risks, including short-term cash-flow management, staffing pressures and estate-related liabilities, the Trust has determined that a prudent minimum level of reserves is equivalent to approximately one calendar month of budgeted expenditure. This level is sufficient to manage short-term financial disruption without compromising educational delivery or requiring emergency intervention.

This equates to approximately £2.5m, representing around 8% of the Trust's total annual income.

Reserves are monitored termly. Where reserves fall below or exceed the target level, the Board will determine whether this reflects a short-term issue or a longer-term structural concern and will take appropriate corrective action.

Use of Reserves

Schools are expected to set budgets in line with Trust processes and must seek approval to set an in-year deficit budget.

The use of central reserves to support individual schools will be exceptional, time-limited and linked to clearly defined educational outcomes. Such use will not be agreed where it would place the Trust's overall financial resilience at risk or reduce reserves below the agreed minimum level.

Delegated authority for exceptional use of reserves is subject to conditions set out in the Finance Policy and requires subsequent Board ratification.

Restrictions

The Department for Education expects academy trusts to use funding for the benefit of current pupils. The Trust will not accumulate excessive reserves without a clear and agreed plan for their use and recognises that the DfE may investigate plans for reserves should these amount to more than 20& of annual income.

Where reserves are forecast to exceed operational requirements, the Trust will develop and approve a plan to deploy those reserves in support of current and future pupils.

Reporting

The Board of Trustees will disclose its reserves policy in the annual report in line with the Academies Accounts Direction.

The annual report will include a clear narrative explaining:

- The level of reserves held
- Movements during the year
- The reasons for holding reserves at that level
- Plans for future use

Review of Policy

This policy will be reviewed annually by the Trust Finance, Audit and Risk Committee and approved by the Board of Trustees, or earlier where there are material changes to risk, funding or regulatory requirements.