



Inspiring Educational Excellence for Everyone
ARDEN *forest*
C of E Multi Academy Trust

Reserves Policy

Adopted: April 2025

Review: April 2026

1. Introduction and background

- 1.1 The Arden Forest C of E Multi Academy Trust (AFMAT) Board is responsible for the effective and efficient use of available resources. These responsibilities are outlined by the Charities Commission in their published guidance.
- 1.2 The AFMAT Board is ultimately responsible for the allocation of resources to deliver the vision of the Trust. Within this context the AFMAT Board delegates responsibility for the management of available finances and reserves to each academies' local governing body as outlined in the scheme of delegation and within the constraints of budgets approved by the local governing body and the AFMAT Board.
- 1.3 Local governing bodies are accountable to the AFMAT for the level of reserves at any particular time.

2. Purpose of this policy

2.1 The AFMAT's reserves policy:

- assists in strategic planning by considering how new projects or activities will be funded;
- informs the budget process at both a school and a Trust level by considering whether reserves need to be used during the financial year or built up for future projects or short term income fluctuations e.g. reduced pupil numbers;
- enables investment decisions to be made at a Trust level, where necessary utilising reserves across the Trust; and
- informs the budget and risk management process by identifying any uncertainty in future income streams.
- Ensures a consistent reserves policy across all academies within the Trust

3. Application of the policy

3.1 When considering an appropriate level of reserves, the Trust Board considers:

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

4. A balanced budget
 - 4.1 Academies within the Trust are expected to set and maintain a balanced budget where costs are met from income in a given year. Accumulated reserves can be utilised, subject to the provisions of this policy.

 5. Maintaining a minimum level of reserves
 - 5.1 Individual academies must maintain as a minimum a reserve's balance equal to 5% of total annual income.
 - 5.2 For the purpose of this policy, reserves are deemed to exclude restricted fixed assets funds, pension reserves (see note 9 below) and any other specifically designated funds (e.g. funds held for particular, board approved projects).
 - 5.3 The minimum level of reserves is ultimately limited by the need to maintain a positive net assets position for the Trust.
 - 5.4 The Trust will:
 - maintain the aggregate of individual academy reserves, amounting to a minimum of 5% of all annual income;
 - maintain an additional central contingency amounting to 5% of the total MAT Service Fee.
 - review the opportunities and risks at a Trust level in order to assess the required level of resources needed to meet anticipated and unanticipated needs in the short and long term.

 6. Additional funds available to support individual academies
 - 6.1 As set out in the Scheme of Delegation (SoD), all schools within the MAT are required to set a balanced budget.
 - 6.2 The SoD also sets out the process for schools spending surplus funds accumulated from previous years and funds not budgeted for.
 - 6.3 All schools are expected to propose to the CFO/CEO/Trust board what they intend to spend their surplus on in line with the Scheme of Delegation.
 - 6.4 Capital spend over £50,000 requires the approval of the Trust Board and the school will need to provide:
 - Clear rationale for the spend
 - Supporting documentation
 - Consideration of how the school will cover the proposed spend e.g. from existing surplus
 - Demonstrate how the spend will increase income for the school and/or improve outcomes for children
 - 6.5 Where a school does not have sufficient surplus to fund the project, it must be made clear to the Board the amount of funds required and how these funds will be returned to the MAT's Central reserves over time. This proposal must be realistic
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and not jeopardise the school's ability to set balanced budgets during the repayment period. Repayments to the central reserves will be interest free.

6.6 The MAT Board will consider the overall risk of exposure to the MAT against the benefits of the proposal for the children of the school.

6.7 Academies are able to apply to the Trust to use surplus funds subject to:

- The Trust is able to maintain the required minimum levels of reserves in aggregate across all schools, as outlined above;
- The academy is able to provide a 3 year budget which shows a return to a minimum reserves level of 5% by the end of a 3 year period; and
- The Trust Board, in its discretion, approves the use of additional funds on the basis of a business case submitted by the academy in line with the scheme of delegation.

6.8 The policy is the responsibility of the Trust and decisions involving the use of reserves will be made in accordance with the Governance documents of the Trust.

7. Academies joining the Trust

7.1 Academies joining the Trust will normally bring in accumulated reserves. Where schools are not able to carry reserves of at least 5%, a plan will be proposed as part of the finance due diligence process.

8. Monitoring and reporting

8.1 Each year, the Trust will report in the financial statements:

- The level or range of reserves considered appropriate for the academy trust;
- The level of reserves at year-end;
- How the Trust is going to achieve the desired level or range of reserves; and
- How often the reserves policy is reviewed.

9. Pensions Liabilities

9.1 The risks surrounding the Trust's pension liability should be taken into consideration. The presence of a pension's surplus or deficit will result in a cash flow effect for the Trust in the form of an increase or decrease in the Trust's future pension contributions over a period of years. The Trust should assess the ability of AFMAT (and individual academies) to meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

9.2 The above relates only to the Local Government Pension Fund as Teachers Pensions are underwritten by the government.