SANCTA FAMILIA
CATHOLIC ACADEMY TRUST

Reserves Policy

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Contents

Context 3

Policy Aims 3

Capital Reserves 3

Procedures 3

Revenue Reserves 3

Budget forecasting/ monitoring and reserves associated with an individual school 5

High reserve balances of individual schools 5

Low reserve balances of individual schools 6

Accumulation of Central Trust Reserves 6

Context

This policy should be read in conjunction with the Finance Policy and Procedures.

Policy Aims

- To ensure the Trust and each individual school recognises its individual and collective responsibility to manage resources effectively and each takes all reasonable action to enable the setting of a balanced budget and the maintenance of targeted and appropriate reserves.
- To ensure the Trust and the schools remain financially viable and sustainable as a 'going concern' by maintaining the necessary level of reserves to meet planned cyclical needs, together with sufficient contingency to respond to adverse changes in financial circumstances.
- To ensure the level of reserves of the Trust and schools do not become excessive, thereby safeguarding against the risk of an unnecessary denial of opportunity or support to children who are in education today.

Capital Reserves

The Sancta Familia Catholic Academy Trust, as a MAT receives School Condition Allocation (SCA) to deploy across their estate. Where funding for particular programmes have time limits for achieving expenditure, any grant left unspent is at risk of clawback. The School Conditions Allocation funding is allocated each year and the School Conditions Allocation Policy is used to allocate funding.

Procedures

- The Trust will work with each academy to propose an Asset Management Plan to the Board of Trustees ("Board") identifying the need to replace/repair assets and the related sums required.
- The Board will agree the value of reserves to be spent in a year as part of the budget approval process.
- The board will agree the value of capital spend as part of the overall budget setting process.

Revenue Reserves

As a Multi Academy Trust, the Trust operates as one organisation with one chart of accounts and one set of financial statements.
The annual accounts are filed at Companies House and are open to public scrutiny.
On an annual basis, the accounts are audited and verified by a team of external accountants, who must indicate to Companies House, the DfE that the company is 'a going concern' for a further 12 months and operates effectively.
The Trust, as a whole, is required to demonstrate that there are appropriate reserves held across the Trust.

The Trust's total reserves consist of

- each individual school's reserves
- accrued reserves from savings or efficiencies on central Trust functions
- surplus funds from Sancta Familia Catholic Academy Trust Board agreed projects
- uncommitted income generated by the Trust

DfE do not require a specific level of Trust reserves however the Trust should ensure they understand all Financial risks and set a minimum level of funds to be held to mitigate this risk.

The minimum targeted level of reserves to be held by the Trust should be 5% and the in the below table it highlights the areas of spend these reserves will be utilised for:

Function	Background
Cash Flow Purposes	One of the main financial risks to the Trust and schools is managing short-term cash flow. Whilst budgetary constraints are acknowledged, to mitigate the risk-maintaining as appropriate level of free reserves would act as a contingency to meet unforeseen financial pressures or demands.
Unexpected & Uninsured Costs	The Trust will need to ensure it has adequate reserves to support uninsured emergencies, these emergencies are limited and would normally relate to large scale capital projects. This will be more of a factor in the early days of the Trust until a estates management plan has been implemented and the Trust has a greater understanding of its estate.
School Financial Support	If schools were to fall into financial difficulty and end up with a deficit position at the end of the year then this fund will be used to support with a plan put in place for the school to readdress the financial position but also repay these funds. This effectively means that this will be a shirt term internal loan function fully repayable by the school involved.
Growth	The growth of the Trust is an area of great benefit to both the schools and the Trust but with growth there can be costs associated initially with the understanding that economies of scale in the future can bring savings as costs as wider reaching services are paid for by a greater number of contributors.
Estates – Condition Improvement (Warm, Safe, Dry)	It will be the Trusts responsibility to ensure that all schools facilities meet safeguarding and health and safety statutory requirements. It is not necessarily their place to fund specific projects but in the initial period there may be a need for the Trust to point funds to particular projects. In the longer term the hope would be that SCA funding would support these projects prioritised through an estates management plan.
Estates – Environment Improvement	The lowest priority but one the Trust will want to tackle in the long term is to improve the learning environment for pupils but also look at possibilities of income generation whether this be additional pupils or external lettings. This can only be addressed when issues of Condition Improvement have been completed.

The targeted level of appropriate free reserves will be reviewed by the Trust whereby any new or ongoing risks will be assessed.

On conversion, it may be that schools do not hold the minimum target level of reserves. In this case, the required minimum of Trust reserves will need to be available from the combined reserves balances and the school/s will need to provide a plan of how they will contribute these funds over time.

This may result in the necessity for some schools to hold a higher percentage of reserves than their usual minimum to ensure that this combined reserve balance is achieved and the overall cash flow of the Trust is not threatened.

Over time the expectation is that all schools will hold the minimum of reserves and that each school achieves financial security.

Budget forecasting/ monitoring and reserves associated with an individual school

Budget forecasting and monitoring within the individual schools is approached as a partnership between individual school leaders and the Trust central services team. Schools have autonomy in budget setting as long as the budget remains in the expected parameters set by the Trust board. The Trust works with the school leaders to ensure financial viability of each school. The Trust retains overall oversight of each school's budget and of the school's portion of the total reserves to ensure that these remain at the appropriate level for the school and Trust.

The Academy Handbook (ATH) requires academy trusts to produce a 3-year budget and to balance for the current year (taking into account carried forward funds). This balanced budget requirement applies to the Trust as a whole, not to constituent schools within it. Accountability rests with the Trust and assurance is needed that, where a constituent school reports or forecasts an in-year or cumulative deficit position, that appropriate plans, monitoring and reporting is detailed within a school recovery plan.

All schools retain ownership of their reserves. On joining the Trust, school reserve balances are recorded within the accounting systems of the Trust, identified as belonging to that school and the ownership is retained. Retaining ownership of the reserve balances encourages the leadership teams within schools to be creative in terms of income generation, and to be motivated to monitor and implement appropriate short/medium spending/saving decisions.

Where a school joins the Trust with a deficit budget and/or has no reserves or where a school gets into financial difficulties, the Trust will work in partnership with the leadership of the school to establish a sound financial plan, ensuring the budgetary situation is reversed quickly, so that within 2 to 3 years, unless exceptional circumstances apply, the school can be financially sustainable.

High reserve balances of individual schools

Schools should set their annual budget to ensure that the needs of current pupils are met whilst maintaining a minimum level of reserves. It is not considered appropriate for a school to build up significant reserves unless there is a specific project that requires savings accumulated over several years. Possible reasons for such reserves may include:

- The school may be seeking to accumulate reserves to fund/part-fund necessary capital works that may otherwise be unfunded.

- The school may be seeking to build a reserve balance to meet part of their longer-term projected commitments (e.g. they may know funding pressures/costs shown in years 2 or 3 of their 3-year budget).

The Trust will require the school to supply a rationale for an accumulation of reserves.

Low reserve balances of individual schools

Low reserve balances at any school highlight a potential financial vulnerability and must be avoided.

It is incumbent upon each school to prepare and propose an annual balanced budget. Any proposed annual deficit budget would only be approved by the Trust if all possible cost saving interventions have been enacted by the school and this could be supported by the drawdown of useable reserves (extra to the minimum). A realistic and prudent recovery plan must be in place whereby the school achieves a balanced budget within a period of 3 years, unless exceptional circumstances apply, and the required minimum reserves are maintained. In exceptional circumstances, the Trust may allow the minimum reserve to be used.

The Trust may withdraw the school's budget delegation if the financial position is unsustainable.
In such circumstances, the Trust will manage the school's budget until financial sustainability is Restored and any relevant support/training has been put in place.

Accumulation of Central Trust Reserves

The level of Central Trust reserves will be managed by the Trust and reviewed annually. Central Trust reserves are the reserves accumulated from:

- the underspend of funds allocated to the running of the central services
- underspend on projects agreed by the Sancta Familia Catholic Academy Trust Board

The Trust will look at projected central services costs annually and set the level of contribution for all schools accordingly. This may result in an increase, or decrease, in the level of contribution for the next financial year. The Trust may reduce the level of contribution for an individual school according to need.

The CEO and Sancta Familia Catholic Academy Trust Board, in consultation with Academies, will identify priorities for the year ahead. These will be recommended to the Trust and a level of contribution agreed. This level may vary according to individual need.

In years where the accumulated reserves of the Trust are not required, the Trust may, at its discretion, redistribute these to the reserves (pro-rata) of schools.

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