



# Reserves Policy

## 2025/2026 Academic Year

### Contents

Contents .....	1
1. Aims and introduction .....	1
2. Management of reserves .....	2
3. Reserves level .....	4
4. Use of reserves.....	5
5. Reporting and transparency .....	5
6. Monitoring arrangements.....	6
7. Links with other policies.....	6

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### 1. Aims and introduction

Spa Education Trust (the Trust) is responsible for the effective and efficient use of resources. This policy sets out the Trust's approach to the management of financial reserves. The aim of this policy is to ensure that the Trust maintains appropriate levels of reserves to support its financial stability, to:

- Meet the needs of its pupils, its educational objectives and long-term sustainability
- Give confidence to the public, stakeholders and regulators that the Trust's finances are being properly managed
- Provide accountability for the Trust's use of public funds
- Provide an indicator of future funding needs and overall financial resilience

This policy is in line with the following guidance:

- Department for Education (DfE): [Academy Trust Handbook](#) and [Academy trust reserves guidance](#)

- Charity Commission: [Charity Reserves: Building Resilience](#)
- Charity Commission: [Charities Statement of Recommended Practice \(SORP\)](#)

The policy applies to all academies within the Trust.

## 1.1 Definitions

Reserves are defined as the part of the Trust's unrestricted income fund that is freely available to spend on any of the Trust's purposes, often referred to as 'free reserves'. They represent the funds available to the Trust once all liabilities have been met, including unspent funds from previous years. Reserves are freely available to spend on the Trust's purposes, as follows:

- Restricted funds:
  - Funds received for a specific purpose (for example, capital grants), which can't be used for general expenditure and are not included in reserves
- Reserves:
  - Funds that can be used at the discretion of the Board of Trustees (the Board) to support the Trust's charitable objects

## 1.2 Purpose of reserves

Reserves are held to:

- Provide financial stability and ensure the Trust can operate effectively in times of unforeseen difficulty
- Manage the financial impact of fluctuating pupil numbers
- Cover short-term funding deficits, for example where funds may need to be spent prior to receipt of grant funding
- Support strategic investment in educational improvement and infrastructure
- Prepare for commitments, such as major asset purchases, which cannot be met by future income alone
- Comply with obligations set by the DfE and the Charities Commission

## 2. Management of reserves

The Board has considered the purpose of the Trust holding reserves and how much should be held to meet those purposes. Each academy within the Trust is responsible for holding

and managing its own reserves, subject to the Trust's minimum reserve requirements as set out in section 3.2. The Trust will set a clear minimum and maximum level of reserves that each academy is expected to maintain.

## **2.1 Reserves on joining the trust**

When an academy joins the Trust, a due diligence process will be undertaken to determine the financial position of the converting academy. All reserves held by the academy, whether in a bank account or within a local authority, will be transferred to the Trust. This includes both revenue and capital balances.

The Trust will ensure that any restricted funds are used for the purpose for which they were originally intended. The Trust will work collaboratively with the joining academy to ensure a smooth and transparent transfer of all financial assets and liabilities.

## **2.2 Reserves on leaving the Trust**

In the event that an academy transfers to another Trust, the academy's reserves will be managed in accordance with the Trust's legal obligations under the Master Funding Agreement and supplemental agreements.

Any funds that have been centrally pooled and managed by the Trust for the benefit of all academies will remain with the Trust. The transferring academy's share of any central reserves will be determined based on the Trust's internal accounting policies and will not be transferred to the new Trust.

Any operational reserves held by the academy that are not part of a central pooling arrangement may be transferred to the new Trust at the discretion of the Board, subject to any legal or regulatory requirements.

The Trust's Finance Manager will oversee this process to ensure a fair and equitable settlement.

### **3. Reserves level**

#### **3.1 Calculation of reserves**

The following are excluded from reserves:

- Tangible fixed assets such as land and buildings
- Programme-related investments held solely to further the Trust's purposes
- Designated funds set aside for a specific purpose
- Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation may be applied
- Commitments that have not been provided for as a liability in the accounts

The Board have considered the following in determining the minimum level of reserves:

- Income and expenditure forecasts for current and future years
- Analysis of any future needs, opportunities, commitments or risks, where future income may fall short of anticipated costs
- An assessment of the likelihood of a future funding shortfall and the reserves required to mitigate this risk

#### **3.2 Level of reserves**

The Trust recognises that holding excessive reserves could be seen as inefficient use of public funds and therefore aims to strike a balance between financial prudence and effective use of resources. The Board have determined that the appropriate minimum level of reserves held at each academy within the Trust should be equivalent to:

- Two months average operational costs

#### **3.3 Monitoring and review**

The Board will regularly review this target level, identifying any trends in spending, to ensure it remains appropriate and to rectify any concerns. The Trust will take into consideration:

- The size of the Trust
- The circumstances/complexity of each of the trust's schools
- Known and potential risks (for example, pupil number fluctuations, changes to funding)
- Future plans, including anticipated capital expenditure and projects
- Financial forecasts and projected income/expenditure

Reserves will be reviewed at least termly by the Operations Committee and annually by the Board as part of the budget setting and financial planning process. This review will include:

- An assessment of current reserves against the level agreed
- An analysis of the reasons for any significant difference
- A forecast of future reserve levels
- Consideration of any new risks or opportunities that may impact reserves
- Recommendations for designation or release of funds

Where reserves are below target or exceed target, the 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.

#### **4. Use of reserves**

The Finance manager will provide regular reports on the levels and use of reserves as part of the management accounts. Reserves may be used to:

- Support cash flow during delayed funding
- Fund strategic initiatives such as academy improvement or expansion
- Respond to emergencies or urgent capital needs
- Support capital funding bids

Any planned use of reserves that would reduce the balance below the minimum reserve level set by the Trust must be approved by the Board and supported by a recovery plan. The Trust remains legally responsible for all reserve funds, regardless of their being held by individual academies, and may direct the use of reserve funds in exceptional circumstances.

##### **4.1 Investment of reserves**

Any surplus funds may be invested, in line with our investment policy, our articles of association and in line with the requirements of the Academy Trust Handbook and Charity Commission guidance.

#### **5. Reporting and transparency**

The reserves position will be reported in:

- The Trust's annual report and financial statements, in line with Charity Commission requirements, including:

- An explanation of our approach to reserves
- How and why reserves are held
- Any designated funds in our reserves, their purposes and the likely timing of the expenditure
- How our reserves support the Trust's educational objectives
- The amount of total funds the Trust holds
- The amount of any restricted funds
- Any amount that can only be realised by disposing of tangible fixed assets
- Regular management reports to the Board and the Operations Committee
- If reserves are significantly above the target set, we will [outline the actions that we will take, e.g. investing in facilities / resources, undertaking new projects in line with the Trust's objectives]

## **6. Monitoring arrangements**

The Board is responsible for the implementation of this policy. This policy will be reviewed and approved every year.

## **7. Links with other policies**

This policy links with our policies on:

- Scheme of delegation
- Financial procedures
- Investment policy