Date ratified at Directors Meeting **13 July 2026**	Review Resources, Audit and Risk Committee

CAPITAL AND REVENUE RESERVES POLICY

THE TRUST MISSION STATEMENT

Inspired by the life of Christ we provide an exceptional education in our Catholic schools which enables our children:

- to fully embrace all possibilities
- to flourish
- to develop their faith

and therefore to choose a path that enables them to be a positive influence upon our world.

'Prepare the Way' *Mark 1:3*

St John the Baptist Catholic Multi Academy Trust

Company No: 7913261

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1. Aims and introduction

St John the Baptist Catholic Multi Academy Trust (the Trust) is responsible for the effective and efficient use of resources. This statutory 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

The Charities statement of recommended practice (SORP) defines reserves as "that part of a charity's unrestricted income fund that is freely available to spend on any of the trust's purposes". These are often referred to as 'free reserves'.

When applying this to academy trusts, it is common to consider reserves as being the balance of unspent:

- unrestricted funds, to the extent that they have not been used for the acquisition of fixed assets
- general annual grant (GAG)

Although GAG is a restricted fund, any unspent GAG is usually considered as reserves. This is because it is permitted to be used for the general running of the trust's main activity of delivering education.

The academy trust handbook requires trusts to approve a balanced budget which may take into account any brought-forward reserves.

Brought-forward reserves are made up of unspent funds from previous years where income has been greater than expenditure. The reserves may come from several funding streams, some of which are restricted to particular types of spend.

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 of trustees has considered the purpose of the trust holding reserves and how much should be held to meet those purposes.

The Trust maintains a central reserve to cover trust-wide strategic projects and risks, while individual academies are permitted to hold a defined level of reserves to manage their day-to-day operational needs. This approach combines the benefits of strategic oversight with local financial flexibility. The proportion of reserves held centrally versus by each academy is set out in section 3.2.

2.1 Reserves on joining the trust

When a school joins the Trust, a due diligence process will be undertaken to determine the financial position of the converting school.

All reserves held by the school, 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 school 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 Trust board, subject to any legal or regulatory requirements.

The trust's Director of Finance and Operations (CFO) 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 trustees have considered the following in determining the minimum level of reserves for the Trust:

- 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

St John the Baptist Catholic Multi Academy 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.

DfE does not require a specific level of reserves, either a percentage or monetary amount. However, trust reserves should not be in a deficit position.

The target level of reserves as set out above will be made up of funds held both centrally and at academy level, as follows:

- One month's average operational costs held centrally, plus
- One month's average operational costs held by each academy

The overall Trust's reserves should be around 8% of the total annual revenue income.

The reserves should not fall below 5% of income or exceed 20% of income.

A lower level of reserves could represent financial challenge, especially if much below 5% of income.

A high level of reserves has been defined by the DfE, in discussion with the National Audit Office and the Public Accounts Committee, as 20% of income or above.

3.3 Monitoring and review

The board of trustees 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:

- 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 annually by the full board of trustees 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 of trustees 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 CFO will provide regular reports on the levels and use of reserves as part of management accounts.

Reserves may be used to:

- Support cash flow during delayed funding
- Fund strategic initiatives such as school 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 trust 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
  - A comparison of the amount of reserves held with the reserves policy and an explanation of any discrepancy
- Regular management reports to the trust board and Resources, Audit and Risk Committee
- If reserves are significantly above the target set, we will invest in facilities / resources and undertake new projects in line with the trust's objectives

6. Policy review

The overall responsibility for this policy lies with the board of trustees. The Resources, Audit and Risk Committee will oversee the day-to-day management and regular monitoring of reserves.

This policy will be reviewed by Resources, Audit and Risk Committee annually, or more frequently if circumstances change.

The policy will be made publicly available on the Trust's website.

7. Links with other policies

This reserves policy is linked to the following:

- Scheme of delegation
- Finance policy
- Investment policy