



EDITH STEIN **CATHOLIC ACADEMY TRUST**

RESERVES POLICY

APPROVED BY DIRECTORS	July 2026
DATE LAST REVIEWED	July 2026
MEMBER OF STAFF RESPONSIBLE	Chief Finance Officer
STATUTORY / NON-STATUTORY	Statutory



Policy Amendments

Version Date	Section / Page	Amendments
June 2026		New policy

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1.0 Introduction

The Edith Stein Directors recognise that prudent financial stewardship is essential to sustaining the Trust's Catholic mission and ensuring that its schools can continue to serve pupils, families, staff, and local communities both now and in the future. The maintenance of appropriate reserves is therefore not simply a financial requirement but an expression of the Trust's responsibility to manage the resources entrusted to it wisely and effectively.

This policy is informed by the principles of Catholic social teaching, particularly stewardship, the common good, solidarity, and subsidiarity. These principles remind us that financial resources are to be used in service of human flourishing and the mission of Catholic education. Appropriate reserves provide resilience against unforeseen challenges, enable strategic investment, and support schools across the Trust in meeting the needs of their communities.

The Trustees seek to maintain a balanced level of reserves that safeguards the long-term sustainability of the Trust while ensuring that resources are deployed effectively for the benefit of current and future pupils. In doing so, they are committed to transparency, accountability, and the promotion of the common good through faithful stewardship of the Trust's assets.

1.1 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 Edith Stein Catholic Academy Trust.

1.2 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 Trust Board to support Edith Stein Catholic Academy Trust's charitable objects
- Unspent General Annual Grant (GAG)

1.3 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

2.0 Management of reserves

- 2.1 The Board of Directors has considered the purpose of the Trust holding reserves and how much should be held to meet those purposes.

Each academy within Edith Stein Catholic Academy 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.

2.2 Reserves on joining the Trust

When a school joins Edith Stein Catholic Academy 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.

2.3 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 operational reserves held by the academy may be transferred to the new Trust at the discretion of the Edith Stein Catholic Academy Trust Board of Directors, subject to any legal or regulatory requirements.

The Trust's Chief Financial Officer (CFO) will oversee this process to ensure a fair and equitable settlement.

3.0 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 Directors have considered the following in determining the minimum level of reserves for Edith Stein Catholic Academy 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 resources

Edith Stein Catholic 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.

The Directors have determined that the appropriate minimum level of reserves held at each academy within Edith Stein Catholic Academy Trust should be equivalent to 3-5 % of general annual grant (GAG¹). All LGB's should be actively working towards achieving this figure.

3.3 Monitoring and review

The Board of Directors 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 finance and risk committee and annually by the full board of Directors 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

¹ GAG is the total sum of money on the GAG statement issued by the DfE detailing the allocation of funds for students in school over years reception to Year 11 inclusive. It does not include pupil driven funding for students outside of this age range.

- Recommendations for designation or release of funds

Where reserves are below target or exceed target, the board of Directors 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.

4.0 Use of reserves

Academies may spend annually from their reserves, subject to approval in line with Trust Scheme of Delegation. Spending above this level must be approved by the Trust Board.

The Chief Financial Officer (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.

5.0 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 finance and risk committee

If reserves are significantly above the target set, we will consider actions such as investing in facilities/resources or undertaking new projects in line with the schools and Trust's objectives.

6.0 Policy review

The overall responsibility for this policy lies with the Board of Directors. The finance and risk committee will oversee the day-to-day management and regular monitoring of reserves.

This policy will be reviewed by the finance committee annually, or more frequently if circumstances change.

The policy will be made publicly available on Edith Stein Catholic Academy Trust's website.

7.0 Use of reserves

This reserves policy is linked to the following:

- Scheme of delegation
- Finance policy
- Investment policy