

# East Midlands Academy Trust

## Reserves Policy

**'Every child deserves to be the best they can be'**

Scope: East Midlands Academy Trust & Academies within the Trust	
<b>Version:</b> V1	<b>Filename:</b> EMAT Reserves Policy
<b>Approval:</b> March 2026	<b>Next Review:</b> March 2028 This Policy will be reviewed by the owner and approved by the Trust Board (FEPC) every two years.
<b>Owner:</b> Head of Finance	

Policy type:	
Statutory	New policy

Revision Date	Revisor	Description of Revision
March 2026 v1	N Dhana	New Policy

## EMAT Reserves Policy

### 1. Introduction

East Midlands Academy Trust (EMAT) is responsible for the effective and efficient use of resources. This statutory policy sets out EMAT'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 EMAT.

#### 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 trust board to support [insert name of trust]'s charitable objects
- Unspent General Annual Grant (GAG)

#### 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.

EMAT holds all reserves centrally. Any surplus generated by an individual academy is transferred to the trust's central fund. This approach allows EMAT to use its financial resources to respond flexibly to capital projects or unexpected costs, or to redistribute funds to academies in need.

The Trust Board ensures sufficient consolidated reserves are in place to enable the Trust to grow in line with its strategic plan, and to combat the inevitable financial risks associated therewith, whilst avoiding the accumulation of excessive reserves from resources which should be used to improve the life chances of the pupils within the Trust's academies.

### 2.1 Reserves on joining the trust

When a school joins EMAT, 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 EMAT board of trustees, subject to any legal or regulatory requirements.

The trust's Deputy Chief Executive Officer (DCEO) 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 EMAT

- 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

EMAT 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 trustees have determined that the appropriate minimum level of reserves held by EMAT should be equivalent to a minimum of 5 % of general annual grant (GAG), whichever is greater.

#### 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 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 Estates and People & Culture (FEPC) committee and 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 use of reserves must be approved by the Trust Main Board.

Any request to draw on reserves shall be presented to the Board as a formal agenda item and must be introduced and supported by the Chief Executive Officer (CEO) and Deputy Chief Executive Officer (DCEO). The submission must include:

- the purpose of the proposed use of reserves
- the financial impact on the Trust's reserves balance
- the associated risks
- confirmation that the proposal does not reduce reserves below the minimum level set by the Trust

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.

### 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 FEPC committee

The DFE identify a low trigger of below 5% and high trigger of 20% in relation to levels of reserves.

EMAT aims for reserves to reflect 5% of total revenue income which indicates that the trust is investing a good level of its income & reserves into better teaching and learning outcomes for all our pupils.

## 6. Policy review

The overall responsibility for this policy lies with the board of trustees. The FEPC will oversee the day-to-day management and regular monitoring of reserves.

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

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

## 7. Links with other policies

This reserves policy is linked to the following:

- Scheme of delegation
- Finance Handbook
- Investment policy