EKC Schools Trust

Reserves Policy 2026

EKC Schools Trust

Approval Date: November 2026 Next Approval: November 2027

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Introduction

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the EKC Schools Trust and the purposes for which they will be used and maintained. The DfE expects Academy Trusts to use their allocated funding each year for the full benefit of the schools' current pupils. Therefore, it is important that, if the Trust has a substantial surplus there is a clear plan how it will be used to benefit the pupils and to fulfil the Trust's strategic objectives.

The Trustees also need to consider the level of reserves the MAT *should* hold. Levels of reserves which are too low may put the future activities of the MAT at risk and do not provide the Trust with the ability to respond to unforeseen challenges and opportunities.

The reserves policy:

- assists in strategic planning by considering how new projects or activities will be funded;
- informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects;
- informs the budget and risk management process by identifying any uncertainty in future income streams.

During the Financial Year

The Trustees identify:

- when reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any, needs to be taken;
- when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any that needs to be taken;
- where the reserves level is below target and consider whether this is due to short-term circumstance or longer-term reasons which might trigger a broader review of finances and reserves.

Development of the MAT's Reserves Policy

When considering an appropriate level of reserves, the Trustees should consider:

- the risk of unforeseen emergency or other unexpected need for funds;
- covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence;
- an unplanned fall in a material source of income;
- planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project;
- the need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.

The financial risks identified determine the amount of reserves the academy targets to hold.

When deciding on the reserves amount Trustees will consider the following:

- one month's salary cost - currently approximately £1,260,000;
- the MAT's annual budget - currently approximately £28,700,000;
- the need for any large project spends such as facilities developments or building condition needs;
- any uncertainty, turbulence or expected reduction in funding arrangements.

In-Year Reports to the MAT Trustees

In-year reports:

- compare the amount of reserves held with the target amount or target range set for reserves;
- explain any shortfall or excess in reserves against target set;
- explain any action being taken or planned to bring reserves into line with target.

Annual Financial Statements

The reserves policy disclosed in the MAT report will include the following information:

- why reserves are held;
- what amount/range of reserves is considered appropriate for the academy trust;
- what the level of reserves is at the year-end;
- how the academy trust is going to achieve the desired level or range of reserves;
- how often the reserves policy is reviewed.

Target Range of Reserves for the Financial Year

The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan.

The target reserves are set as follows:

- Academy individual reserves: £25,000 per form of entry, up to a maximum of £75,000 per Academy;
- Academy target reserves of 5% of school turnover;
- MAT central reserves: 2% of annual turnover;
- MAT central reserves: £450,000.00.

Monitoring and Evaluation of the Policy

This policy will be monitored regularly for any changes in risk profile, market conditions or legislation which may be deemed to have a material effect.

Reviewing

Finance and People Committee will review the policy annually.