

The Diocese of Sheffield Academies Trust

RESERVES POLICY 2024-25



THE
DIOCESE OF
SHEFFIELD
ACADEMIES
TRUST

Approved by: DSAT Trust Board

Last reviewed on: January 2024

Next review due by: January 2025



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DSAT Reserves Policy 2023-24

The Academy Trust Board reviews the level of reserves annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of the reserves.

It is the Trustees' policy to maintain a minimum level of reserves of £800,000 and to build up free reserves which can be used for future education purposes in line with each academy's development plan. This equates to 5.25 percent of the Trust's GAG annual income. The Trust will set an upper limit for its reserve funds of £1,295,000. This equates to 8.5 percent of the Trust's GAG annual income. **Academies will hold reserves of at least 5.25% of their GAG annual income in line with the Trust's objectives.** Academies with reserves either below the minimum or in excess of the upper limit will be reviewed by the Board of Trustees to rectify issues where they arise. **Schools may be asked to provide evidence of why they are retaining any surplus over 8.5% of their annual GAG income and what their future plans are in relation to this.**

The Trustees will ensure that the reserves policy continues to conform to the requirements laid down in the Academies' Trust Handbook produced by the DFE. Having taken account of the risks to which the Trust is exposed, the Trustees consider the current level of reserves to be appropriate. Free Reserves (total of unrestricted general funds and restricted general funds excluding the defined benefit pension liability) at the end of the period 31st August 2023 amounted to £20,297m.

As the academies are on census based pupil number funding, the Academy Trust is not subject to any limit on the amount of General Annual Grant that may be carried forward, thus allowing the Trustees to ensure that adequate reserves may be built up.

The restricted Fixed Asset fund may only be realised by disposing of tangible fixed assets. The balance at 31 August 2023 was £16,330m.

In accordance with FRS 102, it is necessary to charge projected pension scheme deficits to the Restricted General Fund for those pension schemes where the assets and liabilities of the scheme can be separately identified. This has resulted in a reduction in restricted reserves of £3.298m. It should be noted that this is an accounting estimate of a long-term liability which has not crystallised and has no immediate impact on the Academy Trust's liquidity.

Schools will retain 5.25% of GAG income and the Trust 15% of Income as reserves held in each school/trust bank account. New Academies will retain 1% a year, for 5/6 consecutive years to build up to 5.25%. Schools wishing to use these reserves must put in writing to the CEO and Head of Business and Operations the reason for their request before an outcome is determined. **The Trust Board has determined the minimum of retained reserves will be 5.25% or £800,000 whichever is the higher amount.**

The policy will be updated each year with information as of 31st August following the year end/audit.

The Purpose of Reserves

Reserves will have a specific purpose relating to future spending or covering current and future risks. The purposes for holding reserves will be kept transparent. Reserves will be held to ensure that unexpected financial events do not cause problems in the current year or cash flow issues, or generate a deficit.

The purposes for holding reserves may include:

- Covering unforeseen emergencies or unexpected expenditure, e.g. a large repair bill.
- Covering unforeseen day-to-day operational costs, e.g. employing temporary staff to cover long-term absence.
- Covering a failure in a source of income, e.g. a grant not being renewed.
- Preparing for planned commitments that cannot be met by future income alone, e.g. plans for a major asset purchase.
- Needing to fund short-term deficits in budget, e.g. funds that may need to be spent before a grant is received.
- Use of reserves to invest in one-off investment costs, providing a return on the investment is projected. This would relate to capital costs only.

The Trust will hold 15% reserves to assist converting schools with cashflow and fund upfront building work to enable schools to hold onto their reserves.

Types of Reserves

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the academy in furtherance of the Trust's objectives.

Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of the Trust's objectives or assets, or spent where the donor has expressed the nature of expenditure.

Restricted reserves may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

A sum of unrestricted or restricted reserves may be separated and designated a particular purpose, therefore becoming a 'designated reserve', e.g. to purchase a new asset.

Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the academy.

Where a designated reserve has been created, the academy will provide a purpose and a timeframe for spending it.

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves.

The Trust aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

Managing Reserves

The Board of Trustees will identify why the Trust should hold reserves and, having identified its needs, will decide how much should be held to meet them. Reserves will be reviewed and monitored by the Board of Trustees on an annual basis to identify any trends in spending and to rectify issues where they arise.

The financial risk to the trust will be balanced alongside our vision to maintain the highest levels of education.