

RESERVES POLICY

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Next Review Due: October 2024

Version	Date	Description of change
1	1/10/2016	New policy
2	1/12/2022	Annual Review
3	20/9/2023	Separated Reserves and Investment Policy Principles – added diversity and inclusion Management of reserves – reporting what surplus balances are for and emergencies p4-p5 Academy reserves as above p5
4	8/1/2024	Confirmation of income in the reserve calculation p5

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Principles

As part of our focus on diversity and inclusion, BDAT pledges that our policies will seek to promote equality, fairness, and respect for all staff and students. Our policies reflect the BDAT values of inclusion, compassion, aspiration, resilience, and excellence. By working closely with a range of stakeholders, such as our school, union, and HR colleagues, we have ensured that BDAT's policies do not unlawfully discriminate against anybody.

Reserves Statement

Bradford Diocesan Academies Trust (BDAT) has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of BDAT.

The trust's Risk Management Strategy and Risk Register are actively used to make informed judgements about the appropriate level of reserves to hold for future activities undertaken by BDAT for its beneficiaries.

Types of Reserves

Unrestricted Reserves

Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the trustees and trustees in furtherance of any of BDAT's objectives.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the trustees' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by BDAT.

Unrestricted Reserves are generally defined as funds held after excluding:

- Endowment funds (permanent & expendable);
- Restricted funds; and
- Funds that can only be generated on the sale of fixed assets used for charitable purposes.

Restricted Reserves

Restricted Reserves may be restricted income funds, grants or donations that are spent at the discretion of the trustees and trustees in furtherance of some aspect(s) of the objects of BDAT; or where the nature of expenditure has been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Restricted Reserves are only available for expenditure once BDAT has met its commitments and

other planned expenditure and is in accordance with the limitations outlined in the original funding.

Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some aspect of the objectives of BDAT.

All Restricted Reserves will be generated through improved operational efficiencies and effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of grant funding.

Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of BDAT's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target range for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

Pension Reserve

The risks surrounding BDAT's pension liability have been taken into consideration when calculating the target ranges. The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to BDAT.

The presence of a pension surplus or deficit will generally result in a cash flow effect for BDAT in the form of an increase or decrease in employers' pension contributions over a period of years. BDAT is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

BDAT will create a Designated Reserve to cover the pension liability.

Management of Reserves

All reserves will be reviewed by BDAT on a regular basis and an appropriate range of options will be considered which might include releasing the funds into the revenue budget in furtherance of BDAT's objectives, assigning funds to appropriate designated reserves as may be determined by BDAT, or investing the funds to generate further income to allow expansion of BDAT's work.

If reserves are required to support an academy through a large capital project, then the trustees must agree to this in the first instance and then the LGB's of all involved academies agree to the internal loan. There will be a fixed term repayment agreed at the point of acceptance and both academies must be able to show that this agreement is affordable within a three-year budget plan.

BDAT has a responsibility to hold reserves that mitigate potential risks against short-term

reductions in funding and/or income which would financially impact the cash flow of the Trust. The revenue used to calculate the percentage of reserves is all funding plus generated revenue but excluding capital and notional income. The level of reserves that will be held by the trust is between 5% - 15% of cumulative reserves which provides a healthy financial balance as described by the National Audit Office and Public Accounts Committee. All reserves will be categorised above 5% surplus balance into designated criteria which includes:

Reserve Threshold	
Less than 5%	Mitigation against unforeseen expenditure – cash flow (enabling the Trust manage fluctuations in cash available to pay invoices)
Between 5% - 15%	Designated spend on: <ol style="list-style-type: none"> Planned Strategic School Improvement (Growing savings to impact school improvement) Strategic Capital Improvements – (growing saving to support a capital project) Environmental & Sustainability Improvements – (growing savings to support environmental improvements) Contingency including future changes and uncertainty. – (putting aside income for upcoming contingent events such as low pupil numbers) Mitigation of transfer of academy to another Trust – (Contingency to support the transfer out of an academy to another Trust) Trust Strategic Improvements – (Sinking funds to support large strategic plans, premises projects, building projects, IT development or school improvement strategies) Ringfenced Grant Funding – (e.g., 16-19 Bursary)
Above 15%	As above

In the event of an emergency, it may be necessary to utilise Trust-wide reserves to support any financial impact to the academy and/or Trust. The Trust will ensure that as much as possible mitigations are in place to minimise any long-term impact via additional funding streams from the ESFA or DfE which may be required to support short term cash flow requirements.

Academy Reserve Threshold

The Trust considers that an acceptable level of unrestricted reserves that an academy can cumulatively hold is between 5% - 15% without risk of clawback. If the academy has unrestricted reserves of more than 15% the academy has the following options:

- the surplus above 15% is at risk of claw back.
- a Surplus Balance report is required for reserves greater than 5%. The rationale is that there is a strategic plan to utilise the surplus balance and the academy is not annually increasing balances.

All academies will be informed throughout the year in respect of the forecast surplus c/fwd. that they are carrying and the potential risk of breaching the 15%.

The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of BDAT, or the Finance & Resources Committee where delegated authority has been provided by the Board of Trustees, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.