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Derby Diocesan Academy Trust

Reserves Policy

October 2026

Approved by the Trust Board on: 23rd October 2026

To be reviewed: October 2027

Statement of Intent

Derby Diocesan Academy Trust is committed to maintaining a strong financial foundation that supports its mission to deliver high-quality education across all its academies. This Reserves Policy has been developed to safeguard the Trust's operations in an increasingly unpredictable financial landscape.

The purpose of this policy is to ensure that the Trust holds sufficient financial reserves to:

- Provide a buffer against unforeseen financial pressures and emergencies.
- Support future procurement and capital investment.
- Maintain healthy cash flow to meet operational commitments.
- Enable strategic planning and informed decision-making.

The establishment of financial thresholds within this policy is informed by an annual risk assessment of both internal and external factors affecting the Trust.

By holding appropriate reserves, the Trust aims to ensure financial sustainability, protect educational standards, and remain agile in responding to emerging challenges. This policy reflects the Trust's commitment to prudent financial management and its responsibility to use public funds effectively in the best interests of its pupils and communities.

Purpose of Reserves

The Trust holds reserves for specific, transparent purposes relating to future spending and the management of current and future financial risks. The reserves policy ensures that the Trust remains financially resilient and able to respond to unexpected events without compromising educational delivery or operational stability.

Reserves may be held for the following reasons:

- To cover unforeseen emergencies or unexpected expenditure, such as significant repair costs.
- To manage unanticipated operational costs, including temporary staffing due to long-term absence.
- To mitigate the impact of a sudden loss of income, such as the non-renewal of a grant.
- To support planned commitments that cannot be met from future income alone, such as major asset purchases.
- To fund short-term budget deficits, where expenditure may precede the receipt of income (e.g. grants).

The Trust will regularly review the reserves policy to ensure it remains aligned with strategic priorities, risk management, and financial planning.

Managing Reserves

The Board of Trustees is responsible for determining the rationale for holding reserves and, having identified the Trust's financial needs, will set appropriate minimum and maximum reserve levels. While maintaining financial resilience, the Board is committed to ensuring that as much funding as possible is directed to schools to support the quality of education for all pupils.

The Trust's approach balances financial risk with its vision to deliver and sustain the highest standards of education.

The Trust is committed to maintaining a strong and sustainable financial position across all its academies. To achieve this, an appropriate level of reserves will be held centrally and across individual schools, ensuring the Trust is well-positioned to mitigate against unforeseen financial risks and operational challenges.

Reserves will be reviewed monthly by the Chief Financial Officer (CFO) as part of the Trust's financial monitoring processes. In addition, the Finance and Resources Committee will undertake regular strategic reviews of the reserves position to ensure

alignment with the Trust's long-term financial planning, risk management framework, and investment priorities.

This approach ensures that the Trust remains resilient, responsive to emerging needs, and capable of supporting educational excellence across all its settings.

The maximum level of centrally held reserves will be reviewed regularly to ensure alignment with the Trust's long-term strategy for school improvement and sustainability.

At individual academy level:

- Individual academies are expected to maintain a positive in-year and cumulative surplus.
- Minimum and maximum reserve levels will be reviewed regularly in line with each academy's school improvement and financial plans.

The Trust's target level of unrestricted reserves is **12% of annual expenditure**, which is broadly equivalent to **two months' payroll costs**. The Board considers this level appropriate to provide adequate financial resilience against unforeseen events and funding fluctuations, whilst maintaining a strong focus on deploying resources for the benefit of pupils and the delivery of high-quality education.

Legal Compliance

This Reserves Policy has been developed in accordance with the legal and regulatory requirements set out in the Academy Trust Handbook, which forms part of the Trust's funding agreement with the Secretary of State for Education. Compliance with this handbook is mandatory and ensures that the Trust meets its obligations under public sector financial governance.

Key legal and regulatory frameworks underpinning this policy include:

- Academy Trust Handbook (2026) – outlines financial oversight, risk management, and reserves expectations for academy trusts
- Charity Law – as a charitable company, the Trust must comply with the duties of charity trustees, including the prudent management of funds.
- HM Treasury's Managing Public Money – sets out principles for the use of public funds, including value for money, regularity, and propriety.
- Academies Accounts Direction (AAD) – provides guidance on the preparation of annual financial statements, including the treatment and disclosure of reserves.
- Funding Agreement – the Trust's agreement with the Secretary of State requires compliance with financial governance standards and reporting obligations.

This policy will be reviewed annually to ensure continued compliance with evolving legal and regulatory requirements and to reflect any changes in DfE guidance or sector expectations.