



LDBS Academies Trust
LAT and LAT 2

Reserves Policy

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On behalf of the Trust Board of Directors			
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TRUST VISION STATEMENT

“The kingdom of heaven is like a mustard seed, which a man took and planted in his field. Though it is the smallest of all seeds, yet when it grows, it is the largest of garden plants and becomes a tree, so that the birds come and perch in its branches.” (Matthew 13: 31-32)

In the parable of The Mustard Seed, Jesus reminds us that even the smallest of seeds has the potential to grow into the fullness of itself. We aim to provide the right environment for our children, and all whom we serve, to flourish into the fullness of themselves. He tells us these seeds grow into trees, capable of providing a home for a rich diversity of life, our work is to ensure all in our communities grow into people of compassion and wisdom with a deep spiritual understanding of how to support the needs of others.

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1 Aims and Introduction

The LDBS Academies Trust is responsible for the effective and efficient use of resources. This statutory policy sets out The LDBS Academies Trust’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 The LDBS Academies Trust.

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 The LDBS Academies 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 Directors has considered the purpose of the Trust holding reserves and how much should be held to meet those purposes.

Each Academy within The LDBS Academies Trust is responsible for holding and managing its own reserves, subject to the Trust's minimum reserve requirements as set out in section 3.2.

The Trust will set a clear minimum level of reserves that each academy is expected to maintain.

The LDBS Academies Trust will also look to maintain a central reserve to cover Trust-wide strategic projects and risks, while individual Academies are permitted to hold a defined level of reserves to manage their day-to-day operational needs. This approach combines the benefits of strategic oversight with local financial flexibility. The proportion of reserves held centrally versus by each Academy is set out in section 3.2.

2.1 Reserves on joining the Trust

When a school joins The LDBS Academies Trust, a due diligence process will be undertaken to determine the financial position of the converting school.

All reserves held by the Academy, whether in a bank account or within a local authority. This includes both revenue and capital balances.

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.

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 LDBS Academies Trust Board of Directors, subject to any legal or regulatory requirements.

The trust's Finance Manager 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 The LDBS Academies Trust:

- 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

The LDBS Academies Trust 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 minimum level of reserves as set out above will be made up of funds held both centrally and at Academy level, as follows:

- Reserves as a minimum are to be no less than £100,000 per form of entry.

3.3 Monitoring and review

The Board of Directors 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 annually by the Trust's audit committee with any recommendations being made to the full Board Directors of 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 Directors 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 Finance Manager will provide regular reports on the levels and use of reserves as part of management accounts.

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.

The Trust remains legally responsible for all reserve funds, regardless of their being held by individual Academies, and may direct the use of reserve funds in exceptional circumstances.

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
- Regular management reports to the Trust board and audit committee

6 Policy review

The overall responsibility for this policy lies with the Board of Directors. The Audit Committee will oversee the day-to-day management and regular monitoring of reserves.

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

The policy will be made publicly available on The LDBS Academies Trust's website.

7 Links with other policies

This reserves policy is linked to the following:

- Scheme of delegation
- Finance policy
- Investment policy