



**Southern  
Education  
Trust**

## Reserves Policy

Next review: June 2026

## Introduction

Charities are required to establish a reserves policy in order to protect their operations. However, regardless of the regulatory requirement, establishing reserves that protect the operation of the Trust and contribute to its smooth running is good practice and forms part of its overall financial control and governance framework.

Whilst the Trust does not wish to hold excessive reserves, as it believes that funds should be expended on the pupils of today, it also recognises that a level of reserves is required to cover unforeseen events and areas of development.

This document sets out the reserves policy for The Southern Education Trust. The policy takes into account the following principles:

- reserves should have a specific purpose related to future spending or covering future risks;
- they should maintain the link with the purposes for which the income was given;

A key judgement that is performed as part of the external audit of the Trust's accounts is that the Trust will comply with FRS18. The Trust must, in preparing the annual statement of accounts, undertake an assessment of the Trust's ability to continue as a going concern. The level of reserves held by the Trust is be a factor in judging whether the Trust remains a going concern.

This policy has been prepared with reference to the guidance issued by the Department of Education on Academy Trust Reserves:

[Academy trust reserves - GOV.UK](https://www.gov.uk/government/guidance/academy-trust-reserves)

## Management and Setting of Reserves

The Trust, through the CFO and Finance, Resource & Compliance Committee is responsible for ensuring that the level of financial reserves to be carried forward at the end of its financial year is consistent with this policy. As the Trust does not pool school reserves, this requires each school, through its Headteacher and LGB, supported by the Trust central finance team, to also ensure that the level of school reserves are consistent with this policy.

Reserve management depends on an effective multi year budget (MYB) setting process, to forecast schools' income and expenditure, including costs of planned projects, and to quantify the financial risks over the projected period. The trust completes this annually in accordance with the requirements of the Academy Trust Handbook. LGB's must ensure that schools' reserves in the approved budget are maintained in accordance with the below requirements across the MYB period. LGB's are also required to regularly review actual financial performance against the approved budget to ensure that the school continues to maintain financial stability.

The level of reserves required to be maintained for each school is to be calculated annually at MYB setting using the value of projected financial risks with the following formula:

Total reserves = 100% of Y1 risks + 50% of Y2 risks + 25% of Y3 risks

However, the DfE guidance is clear that reserves lower than 5% of total income suggests financial vulnerability, and so each school's reserves must be maintained to the higher of the above calculation or 5% of total income.

Schools joining the trust will be expected to set budgets in accordance with this reserves policy at the first budget setting cycle.

## Trust Reserves

The trust benefits from diversification of risks through:

1. Having a mixture of mainstream, special and AP schools
2. Operating across different local authorities
3. Receiving funding from different sources, e.g. Bespoke & teaching school

Therefore, overall Trust reserves must be maintained at a minimum of 5% across the BFR period. This will permit the Trust to take opportunities to fund novel projects from its accumulated reserves. Detail of individual school risk based reserves must be presented as part of BFR approval, and the difference between the sum of school risk based reserves and Trust reserves clearly identified.