



RESERVES POLICY

September 2023

Responsibility	Head Teacher
Date of next review by	01/09/2024

Signed:
Head Teacher

Date: 15/8/23

Signed:
Director of Operations

Date: 15/8/23

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INTRODUCTION

The Purpose of this policy is to provide a clear and open statement of intent by the Governing Body with respect to the management and governance of the Academy's reserves. It aims to ensure the stability and sustainability of the Academy's organisational operations and to protect the Academy so it has the ability to adjust to financial circumstances, such as cyclical maintenance and large unbudgeted expenditure.

The Academy maintains reserve funds, which are made up of surplus funds from the General Annual Grant (GAG) funding and other sources of income. The Academy maintains reserves to:

- Protect the Academy from financial risk generated by:
 - Income reduction due to changes in Government funding
 - Unexpected fall in pupil referrals
 - Emergencies
- To fund future expenditure related to the Academy development plans and strategic long-term aims and developments.

It is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the school's primary objective is preserved. At the same time, the school wishes to ensure that it uses its funding to benefit the students in its care and to the use of reserves to enhance educational provision.

DEFINITIONS AND GOALS

Free reserves are represented by the main income of the Academy which is the General Annual Grant (GAG) and other grant contributions or donations that are received for a specific purpose. The use of these funds is restricted according to the funding agreement or donor's instructions. Free reserves do not include fixed asset funds and pension reserves.

RESTRICTED FIXED ASSET FUND (CAPITAL)

The Director of Operations, in conjunction with the Head Teacher, may propose a capital reserve schedule identifying the need to replace assets and the related funds required.

The level of reserves will be determined by Governors on an annual basis in accordance with the capital reserve schedule and as part of the budget approval process. This sum may be transferred at year end into the Restricted Fixed Asset Fund Reserve. Expenditure from the Restricted Fixed Asset Fund should only occur as part of the agreed budgeted spend approved by Governors as part of the budget planning process.

Exceptional, non-budgeted spend of a capital nature must be presented to the full Board of Governors prior to expenditure taking place to enable full scrutiny of expenditure.

RESTRICTED GENERAL FUND (REVENUE)

Governors will review the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves on an annual basis. The level of reserves will be determined by Governors, which can fluctuate depending on operational need.

Governors will aim to set an in-year balanced budget and to agree the value of revenue reserves to be created each year as part of the budget approval process.

Where it is necessary to set an in-year deficit budget, this will be done in line with ESFA guidance.

UNRESTRICTED FUNDS (REVENUE)

Unrestricted Funds are derived from the Academy's activities for generating funds, investment income and other donations which are expendable at the discretion of the Governors in furtherance to achieve the objectives of the Academy.

LEVEL OF RESERVES

Governors have decided, where possible, the Academy should aim to maintain a minimum level of free reserves at an average three-month's expenditure. The level of reserves of 3 months' average expenditure equates to approximately £473k (expected average for 2023/24). Free reserves are calculated as follows: Restricted General Fund + Unrestricted Fund + Debtors – Creditors

To provide sufficient working capital to cover timing issues between spending and the receipt of grants, and to provide a cushion to deal with unexpected emergencies such as urgent maintenance, a cash balance of £300k should be maintained.

Where cash flow statements indicate continued current account cash balances more than £300k the difference will be available for deposit into the Academy's 32-day deposit account. Transfers to/from the 32-day deposit account will be reported to the Finance and HR Committee as soon as possible and appropriately minuted.

Additional reserves held are identified to support the budgetary shortfalls identified on the 3-year budget plan.