

National Teaching School
designated by



National College for
Teaching & Leadership



RINGWOOD
— A NATIONAL TEACHING ACADEMY —

Ringwood School Reserves Policy

Policy Name	Reserves
Basis of Requirement	Expected by Charity Commission and disclosure required in Annual Report & Accounts
Replacing/Updating	July 2022
Author	R Sismey – Head of Business & Finance
Authorised By	Audit, Risk & Finance Committee
Authorisation date	25 September 2023
Implementation Date	Immediate
Next Review Date	July 2024
To be reviewed by	Full Governing Body

Reserves Policy

1.0 PURPOSE

- 1.1 The Trustees are required to establish, publish, implement, and monitor a reserves policy as part of discharging their legal responsibilities under both Companies Act as well as Charities Act [as academy trusts and companies limited by guarantee legally set up as self-governing not-for-profit charitable companies].
- 1.2 A reserves policy forms an important part of the financial control and governance framework of the School.
- 1.3 The policy supports the need to maintain the smooth ongoing running of the School's operations from year to year, protect it from financial risks and make ongoing development.
- 1.4 This policy sets out principles behind the Reserves Policy of Ringwood School and the process followed to implement and monitor that policy.

2.0 BACKGROUND

- 2.1 For the purposes of this policy, reserves are those funds that are available to spend for purposes that the Trustees determine.
- 2.2 For Ringwood School, this is considered to be the combined level of Unrestricted Funds and Restricted GAG Funds, plus any specific fixed asset or other reserves that might be held from time to time for specific purposes and all of which are reflected in the Schools balance sheet and reported externally in the audited financial statements.
- 2.3 The level of accounting reserves contemplated by this policy should not be confused with the total level of cash or equivalent funds held by the School, the latter of which will typically be higher due to the School usually operating with negative working capital balance levels (ie ongoing current liabilities, such as supplier creditors, accrued costs and money received in advance exceeding other current assets). The additional funds resulting from this negative working capital are considered timing and not therefore regarded as a reserve to be relied upon to support the items and situations contemplated by this reserve policy.
- 2.4 The ESFA set out requirements for schools to operate within certain financial guidelines, one of which is that it is not permissible for schools to operate in deficit or forecast such a position, with "deficit" defined in terms of accounting reserves, rather than cash balances held and considered typically over a 3 year period.
- 2.5 Several sources of published guidance have been referenced in forming this policy, such as "Charity Reserves – building resilience", a guidance document in Sept 2018

from the Charity Commission and “How to set a reserves policy for your charity”, published on gov.uk.

3.0 PRINCIPLES

3.1 The main situations for which reserves are considered necessary to hold for are:

- 3.1.1 to cope with unexpected in-year shortfalls in income or additional expenditure that cannot be mitigated or, at least, not without consequences that are deemed undesirable or even unacceptable. This includes the impact of unexpected property damage or break downs to the extent that they are not covered by insurance or unusually high supply teacher cover costs,
- 3.1.2 to recognise that, even if planned well, property and equipment replacement, improvement or maintenance do not always fall evenly from year to year and cannot always be funded by additional grants for those purposes or insurance claims and as such need to be funded by ongoing grant and other income, with money effectively set aside each year to fund these,
- 3.1.3 to provide some contingency for the forthcoming 2-3 years if circumstances change relative to the baseline forecast assumptions regarding income or expenditure (such as, for example, from lower pupil numbers or changes in Government funding), which again may not be able to be mitigated, either at all or without undesirable or unacceptable impact,
- 3.1.4 to support school strategic development or to be able to react to support specific improvement initiatives that arise.

3.2 The principles behind the reserves policy are:

- 3.2.1 It is essential that the school manages its finances carefully and prudently to maintain ongoing smooth operations of the school and avoid a current or forecast deficit position (ie negative accounting reserves) arising.
- 3.2.2 The School wishes to ensure it uses its funding to benefit the students in its care as early and fully as possible.
- 3.2.3 The School assumes that once the formula has been confirmed the payment of GAG funding from the ESFA can be relied on to happen and on time, such that no reserves need to be maintained against this, the largest income stream, in the period where this condition applies.
- 3.2.4 The level of reserves should be clearly understood and funds ring fenced wherever possible to ensure reserves are held mainly for specific and sensibly realistic situations rather than for general cautious “hoarding”.
- 3.2.5 The required or target level of reserves for the school will therefore be variable depending on the perceived financial risk profile of the school’s current operations and forecast, the property and equipment condition and the scale of additional school improvement initiatives that are targeted.

4.0 PROCEDURE

The steps in the annual process for assessing the level of reserves include the following:

- 4.1 In the annual budgeting & planning cycle, a three-year baseline financial plan will be presented and agreed by the Trustees. As part of this process, information will be presented on and consideration will be given to:
 - 4.1.1 The key assumptions for the main income and expenditure lines and what is proposed to be set aside each year towards specific items to be purchased / replacement or for more general reserves build up.
 - 4.1.2 The necessary and desirable level of property & equipment maintenance and replacement (including IT) and whether additional sources of funding are available and can be depended upon
 - 4.1.3 Options for further investment to support school development initiatives
 - 4.1.4 Risks and opportunities / financial sensitivity analysis around the impact of changes in most significant baseline assumptions and other items on the school's risk register and what mitigating actions could be deployed with what estimated impact on the school's objectives
 - 4.1.5 The current and forecast level of reserves and whether this is considered reasonable in the circumstances presented. If not, further actions will be determined.
 - 4.1.6 Specifically, from the Budget process endorsement will be sought on:
 - 4.1.6.1 The proposed major property & equipment renewal cycle
 - 4.1.6.2 The proposed strategic investment plan
 - 4.1.6.3 The currently assessed general contingency reserve requirement
 - 4.1.6.4 The funding plan, in terms of what is proposed to be set aside each year to support the above
- 4.2 In the remainder of the year, the financial situation, outlook and risk register for the School will continue to be re-assessed and updated, as circumstances change, with regular reporting on such by the Head of Business & Finance to Trustees and with formal detailed consideration at the Audit, Risk & Finance committee meetings.
- 4.3 The budget and three-year plan, including forecast reserve levels, are reported to the ESFA annually by end of August and the reserves policy and levels are reported in the audited financial statements published in December.
- 4.4 The reserves policy will also be lodged on the School's website to enable other stakeholders to be aware and to support clear and consistent communication around the financial position, approach and plans of the School.