



Idsall School Reserves and Investments Policy

Sponsorship & Review

Sponsor

Mrs V Hulme, Business Manager

Reviewed

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IDSALL SCHOOL

Reserves and Investments Policy

Introduction

The purpose of the Reserves and Investments Policy is to set out the processes by which Academy trustees will meet their duties under the Academy's Articles of Association and Academies Financial Handbook issued by the EFA to invest monies surplus to operational requirements in furtherance of the Academy's charitable aims and to ensure that investment risk is properly and prudently managed.

There are a number of constraints placed upon schools in terms of financial management. One of these constraints is the inability to borrow funds. It is therefore the aim of the Trustees of the school to show a level of prudence and good financial planning to cover the unexpected and unplanned so that the School's primary objective is preserved under unforeseen circumstances.

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the School and the purposes for which they will be used and maintained.

Risk Assessment

The risk for Idsall School can be summarised as a risk to future income due to Government funding changes, falling pupil numbers on roll or delays in receipt of grant funding.

Other risk factors to take into consideration are:

- Extreme emergencies such as urgent maintenance issues.
- Early teacher retirement due to ill health and the pension liabilities involved.
- Possible redundancies due to drop in income and falling pupil numbers.
- Estimates of the level and timing of capital receipts.
- Treatment of demand-led pressures.
- The School's capacity to manage in year budget pressures.
- The adequacy of insurance arrangements.
- An assessment of external risks.
- Assumptions regarding inflation.
- The impact of major unforeseen events.
- Brexit – there is uncertainty over the possible impact of Brexit and whether there will be an increase in the cost of supplies etc.
- The Coronavirus Pandemic – whether the cost of managing the virus will have an impact on future Government funding.

Definitions

Reserves are sums of money held by the School to meet future expenditure, both revenue and capital.

Restricted Reserves are represented by the main income of the School, which is the General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted in their use according to the funding agreement or donors instructions.

Unrestricted Funds these are made up of the Schools activities for generating funds (such as lettings), investment income and other donations which are expendable at the discretion of the Trustees to enable the achievement of the objectives of the school.

Designated Funds these are unrestricted funds that have been allocated by the Trustees for a particular purpose, such as funds designated for a sports facility or program or particular curriculum investment program.

Uncommitted Reserves which are kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed. The School's Trustees request as a minimum £200,000.

Committed Reserves which are held for specific purposes.

Details of all reserves and year-end balances are contained in the School's annual Statement of Accounts.

Development and Identification of Reserves

In considering the appropriate level of reserves for the school, the Trustees will consider:

- The risk of unforeseen emergency or other unexpected need for funds;
- The costs of covering unforeseen day-to-day operational costs, for example the cost of employing temporary staff to cover a long term staff absence;
- A fall in a source of income, such as lettings or a decrease in pupil numbers;
- Planned commitments or designations that cannot be met by future income alone, such as plans for a major capital project or investment in IT facilities; and
- The need to fund potential deficits in a cash budget, such as a need to fund activities or projects in advance of grant funding receipts.

Monitoring of Reserves

The Trustees are responsible for ensuring that the School's reserves are maintained and are used only as described in this policy.

The Trustees will be responsible for identifying:

- When reserves are drawn on, so that they understand the reasons for this and can consider what corrective action, if any needs to be taken;
- When reserve levels rise significantly above the target amount or range, so that they understand the reasons and can consider the corrective action, if any, that needs to be taken; and
- Where the reserves level is below the target amount or range, so they can consider whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves.

The School's Business Manager will regularly monitor the school's reserves and will report to the Full Board of Trustees accordingly. The reports provided will include:

- A comparison of the amount of reserves held with the target amount or target range set for reserves;
- An explanation of any shortfall or excess in reserves against the target amount or range; and
- An explanation of any action being taken or planned to bring reserves in line with the target amount or range.

Approval of the Use of Reserves

The appropriate level of reserves or range of reserves for the School will be reviewed and set by the Trustees on an annual basis as part of the School's annual budget setting process, and by reference to the School's Three Year Plan.

Any recommendations to utilise the School's reserves of any kind, whether as part of the annual budget setting process or whether as part of an in year budget adjustment, will be formally approved by the Full Board of Trustees.

All recommendations and approvals should be formally noted in the minutes of the relevant meetings.

External Reporting

The School will disclose in the annual Trustees' Report its policy for building and maintaining reserves including:

- Why reserves are held;
- What amount or range of reserves is considered appropriate for the School in line with their policy;
- What level of reserves are at the year-end, covering both free (or unrestricted) reserves and restricted reserves any material designated reserves including the reasons and purpose of the designation;
- How the School is going to achieve the desired level or range of reserves where the actual reserves level are below the targeted level or range or its plans for utilising reserves in the future where the actual reserves are in excess of the targeted level or range; and
- Where any funds are materially in deficit, details of the circumstances giving rise to the deficit and details of the steps being taken to eliminate the deficit.

Local Government Pension Scheme Deficit

In accounting for the Local Government Pension Scheme (LGPS), the School recognises that there is a deficit which is included within the School's restricted funds. Whilst this could in theory result in a deficit in restricted funds, it is noted that an immediate liability for this amount is not crystallised.

The LGPS deficit will be dealt with by an increase in the employer's pension contributions over a period of years and the annual budgets and Three Year Plans must take into account these additional contributions. Therefore, whilst the deficit might not be eliminated, there should be no actual cash flow deficit on the fund or direct impact on the School's reserves.

This policy will be reviewed annually.