

Gilmorton Chandler C of E Primary School

Reserves Policy M37

Signed by Governing Body:

Agreed by Governing Body: June 2016

To be reviewed Summer 2017 or earlier if required.

'Working in partnership with the community to provide an excellent and enjoyable learning environment firmly rooted within a Christian ethos.'

Introduction

Future plans need to be considered when setting the Academy's budget, in particular any uncertainty over future income or the risk of unexpected calls on the Academy's funds, balanced with the current needs of the Academy. In looking at future plans or projects, other spending needs might be identified that cannot be met from the income of a single year's budget alone. The identification of these factors might point to a need for reserves. The Academy's Reserve Policy is not regarded as a static policy as circumstances will change with time. Therefore this policy will be reviewed at least annually as part of the Academy's planning processes.

Setting of reserves

The Academy's level of reserves is expressed as a target percentage / figure and is informed by:

- forecasts for levels of income for the current and future years, taking into account the reliability of each source of income;
- forecasts for expenditure for the current and future years on the basis of planned activity;
- analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs;
- assessment, on the best evidence reasonably available, of the likelihood of each of those needs that justify having reserves arising and the potential consequences for the Academy of not being able to meet them.

Limit of reserves

The Academy will not set a level of reserves above the limits permitted by the Education Funding Agency (EFA) that may result in a clawback of funds by the Department for Education (DfE). These limits are currently:

- 12% of General Annual Grant (GAG) Funding, of which:
 - 2% is unrestricted;
 - 10% for capital purposes.

If a 'zero level' reserves policy is adopted, the Academy will consider the financial risks in such a policy and will explain its policy in the Trustees' Annual Report.

Monitoring of reserves

The level of reserves will be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to:

- identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken;
- identify when reserve levels rise or fall significantly above or below target, the reasons and any corrective action, if any, that needs to be taken;
- ensure that the reserves policy continues to be relevant as the Academy develops or brings on board new activities;
- review the statement on reserves in the Trustees' Annual Report where there have been significant changes in the reserves policy or level of reserves held.

Reserve levels

The Academy believes that the funding received in any one year should be used to support the children on roll at the time unless there is a specific project which will require the accumulation of funding over more than one year. We also wish to ensure the stability of our organisational operations and so, reserve levels should enable us to react quickly to changes in financial circumstances, for example, large unplanned expenditure. Our long term aim, which we consider prudent, is to reserve 8% of GAG funding (approximately £60,000 in terms of current GAG income). This will be treated as follows:

2015 – 2016: Planned £45,000 (approx. 6%) end of year reserve. This will enable current staffing levels to continue.

2016 – 2017: To plan to achieve £55,000 (approx. 7%). This will enable us to meet any urgent unforeseen expenditure, i.e. emergency repairs to building pending insurance claim or meet building improvement and maintain staffing levels.

2017 – 2018: To achieve long term aim as above. This will enable us to meet any urgent unforeseen expenditure, i.e. emergency repairs to building pending insurance claim or meet building improvement costs and maintain staffing levels.