

Reserves Policy

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1.0 Aims and introduction

1.1 Katharine Lady Berkeley's School is responsible for the effective and efficient use of resources. This statutory policy sets out the trust's approach to the management of financial reserves.

1.2 The aim of this policy is to ensure that the trust maintains appropriate levels of reserves to support its financial stability, to:

1.2.1 Meet the needs of its pupils, its educational objectives and long-term sustainability

1.2.2 Give confidence to the public, stakeholders and regulators that the trust's finances are being properly managed

1.2.3 Provide accountability for the trust's use of public funds

1.2.4 Provide an indicator of future funding needs and overall financial resilience

1.3 This policy is in line with the following guidance:

1.3.1 Department for Education (DfE): [Academy Trust Handbook](#) and [Academy trust reserves guidance](#)

1.3.2 Charity Commission: [Charity Reserves: Building Resilience](#)

1.3.3 Charity Commission: [Charities Statement of Recommended Practice \(SORP\)](#)

1.4 Definitions

1.4.1 Reserves are defined as the part of the trust's unrestricted income fund that is freely available to spend on any of the trust's purposes, often referred to as 'free reserves'. They represent the funds available to the trust once all liabilities have been met, including unspent funds from previous years. Reserves are freely available to spend on the trust's purposes, as follows:

1.4.2 Restricted funds:

1.4.2.1 Funds received for a specific purpose (for example, capital grants), which can't be used for general expenditure and are not included in reserves

1.4.3 Reserves:

1.4.3.1 Funds that can be used at the discretion of the trust board to support Katharine Lady Berkeley's charitable objects

1.4.3.2 Unspent General Annual Grant (GAG)

1.5 Purpose of reserves

1.5.1 Reserves are held to:

- 1.5.1.1 Provide a buffer to ensure the trust does not move into deficit at any point during the financial year due to cash flow issues
- 1.5.1.2 Funds to support unforeseen expenditure during the year which may result in overall expenditure exceeding the planned budget
- 1.5.1.3 Manage the financial impact of fluctuating pupil numbers
- 1.5.1.4 Cover short-term funding deficits, for example where funds may need to be spent prior to receipt of grant funding
- 1.5.1.5 Support strategic investment in educational improvement and infrastructure
- 1.5.1.6 Prepare for commitments, such as major asset purchases, which cannot be met by future income alone
- 1.5.1.7 A “carry forward amount” in order to enable the school to manage any real terms reduction in educational funding from the DfE in the five year forecast period

2.0 Management of reserves

2.1 The board of trustees has considered the purpose of the trust holding reserves and how much should be held to meet those purposes.

2.2 Any annual surplus generated by Katharine Lady Berkeley’s School is transferred to the trust's general unrestricted reserves. This approach allows the trust to use its financial resources to respond flexibly to capital projects or unexpected costs, or to redistribute funds as needed.

3.0 Reserves level

3.1 Calculation of unrestricted reserves

3.1.1 The following are excluded from unrestricted reserves:

- 3.1.1.1 Tangible fixed assets such as land and buildings
- 3.1.1.2 Programme-related investments held solely to further the trust’s purposes
- 3.1.1.3 Designated funds set aside for a specific purpose
- 3.1.1.4 Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation may be applied

3.1.1.5 Commitments that have not been provided for as a liability in the accounts

3.1.2 The trustees have considered the following in determining the minimum level of reserves for Katharine Lady Berkeley's:

3.1.2.1 Income and expenditure forecasts for current and a five year forecast

3.1.2.2 Analysis of any future needs, opportunities, commitments or risks, where future income may fall short of anticipated costs

3.1.2.3 An assessment of the likelihood of a future funding shortfall and the reserves required to mitigate this risk

3.2 Level of reserves

3.2.1 Katharine Lady Berkeley's School recognises that holding excessive reserves could be seen as inefficient use of public funds and therefore aims to strike a balance between financial prudence and effective use of resources.

3.2.2 The trustees have determined that the appropriate minimum level of reserves held by the trust should be equivalent to:

3.2.2.1 A minimum of 5% of general annual grant (GAG) and a maximum of 15%

3.3 Monitoring and review

3.3.1 The board of trustees will regularly review this target level, identifying any trends in spending, to ensure it remains appropriate and to rectify any concerns. The trust will take into consideration:

3.3.2 The circumstances/complexity of each of the trust's schools

3.3.3 Known and potential risks (for example, pupil number fluctuations, changes to funding)

3.3.4 Future plans, including anticipated capital expenditure and projects

3.3.5 Financial forecasts and projected income/expenditure

3.4 Reserves will be reviewed at least quarterly by the FSP committee and annually by the full board of trustees as part of the budget setting and financial planning process. This review will include:

3.4.1 An assessment of current reserves against the level agreed

3.4.2 An analysis of the reasons for any significant difference

3.4.3 A forecast of future reserve levels

3.4.4 Consideration of any new risks or opportunities that may impact reserves

3.4.5 Recommendations for designation or release of funds

3.5 Where reserves are below target or exceed target, the board of trustees will consider whether this is due to a short-term situation or a longer-term issue. A broader review of finances and reserves will be undertaken if necessary.

4.0 Use of reserves

4.1 The Chief Financial Officer (CFO) will provide regular reports on the levels and use of reserves as part of management accounts.

4.2 Reserves may be used to:

4.2.1 Support cash flow during delayed funding

4.2.2 Fund strategic initiatives such as school improvement or expansion

4.2.3 Respond to emergencies or urgent capital needs

4.2.4 Support capital funding bids

4.3 Any planned use of reserves that would reduce the balance below the minimum reserve level set by the trust must be approved by the trust board and supported by a recovery plan.

4.4 Investment of reserves

4.4.1 Any surplus funds may be invested, in line with our investment policy, our articles of association and in line with the requirements of the Academy Trust Handbook and Charity Commission guidance.

5.0 Reporting and transparency

5.1 The reserves position will be reported in:

5.1.1 The trust's annual report and financial statements, in line with Charity Commission requirements, including:

5.1.1.1 An explanation of our approach to reserves

5.1.1.2 How and why reserves are held

5.1.1.3 Any designated funds in our reserves, their purposes and the likely timing of the expenditure

5.1.1.4 How our reserves support the trust's educational objectives

5.1.1.5 The amount of total funds the trust holds

5.1.1.6 The amount of any restricted funds

5.1.1.7 Any amount that can only be realised by disposing of tangible fixed assets

5.1.1.8 A comparison of the amount of reserves held with the reserves policy and an explanation of any discrepancy]

5.1.2 Regular management reports to the trust board and FSP committee

5.1.3 If reserves are significantly above the target set, we will look to invest in facilities / resources, undertake new projects in line with the School Improvement Plan (SIP).

6.0 Policy review

6.1 The overall responsibility for this policy lies with the board of trustees. The FSP committee will oversee the day-to-day management and regular monitoring of reserves.

6.2 This policy will be reviewed by FSP committee annually, or more frequently if circumstances change.

6.3 The policy will be made publicly available on Katharine Lady's website.

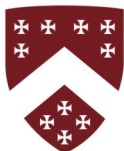
7.0 Links with other policies

7.1 This reserves policy is linked to the following:

7.1.1 Finance policy

7.1.2 Investment policy

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