




Yarborough Academy

Reserves Policy

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Reserves Policy

1. Purpose

Yarborough Academy requires a suitable Reserve to both provide and maintain a prudent financial foundation for the ongoing stability of the Academy's operations and fund future capital expenditure projects as deemed appropriate and agreed by the Board of Governors.

This paper documents the current policy and requisite level of Reserve to be maintained.

2. Background and Approach

In general it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the academy's primary educational objectives are at all times preserved.

The Reserves policy is intended to protect the Academy's ongoing activities by providing financial buffers against an unpredictable environment and to make sufficient provision for future cash flow requirements.

In deciding the appropriate level of reserves Governors will take into account the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- Fluctuations in student numbers
- Cash flow issues due to delays in funding
- The Academy's annual budget
- The extent of the Academy's monthly salary bill
- The impact of the wider external economic and political environments i.e. legislated employer pension contribution obligations, Brexit etc.

In addition to the above 'revenue' reserves consideration the Governors will also take into account and incorporate a 'capital' reserves element earmarked for specific planned schemes of works:

- The need for a project spend such as facilities development, ICT investment or building condition needs
- A financial contribution to support a large grant aid funded project such as roof replacement

The Governors shall be cognisant of the overarching principle and expectation that the allocated GAG funding should be used for the full benefit of their current pupils. As such if any substantial surplus is accumulated they should have a clear plan for how it will be used to benefit their pupils, for example a long-term capital project.

The policy also takes into account the Academies Financial Handbook (AFH). Whilst the 2018 AFH is relatively silent on the issue of reserves, it does state (s 3.7.1) the following: *'ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use'*.

3. Categories of Reserves

Reserves are the representation of the cash balance available at the period end. In charity accounts, which are used for academies, this cash is transferred into fund balances. These balances can be for "restricted" or "unrestricted" purposes depending on their source.

Restricted Reserves

Restricted reserves are mainly derived from government grant funding through the ESFA (Education and Skills Funding Agency) but may also include other grants or donations provided for a specific purpose. Restricted reserves must be used in accordance with the limitations outlined in the original funding (in the case of ESFA funding, this is as detailed in the Academy's funding agreement), or set out in the donor's instructions.

Unrestricted Reserves

Unrestricted reserves are made up of 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 school.

If part of an unrestricted income fund is earmarked for a particular project it may be 'designated' as a separate fund. However the designation has an administrative purpose only and does not place restrictions on how the fund is eventually spent. Unrestricted reserves will be generally achieved through operating efficiencies and any from trading company profits.

Total Reserves

Total Reserves are made up of the combined balances of the Restricted and Unrestricted Funds.

For the purposes of this Reserves Policy the level agreed and set by the Governors shall apply to Total Reserves and no apportionment is made between Restricted and Unrestricted Funds.

4. Current Minimum Reserves Level

The minimum Total Reserves limit agreed by the Governors for the Financial and Academic Year 2018-2019 is £250,000.

This represents a significant increase on the former level of £100,000 due to the need to recognise the following:

- Monthly staff salaries are currently running at @ £120,000

- £50,000 has been previously allocated and budgeted as the Academy's contribution to the 2nd stage Roof CIF bid
- Further refurbishment and modernisation of the toilet facilities is required
- An element of contingency over and above the specifically recognised amounts set out above is prudent

5. Reporting and Monitoring

The Academy's Head and Business Manager are responsible for ensuring compliance with all aspects of the Academy's policies and procedures.

The Governors are responsible for ensuring that the level and use of reserves are monitored on a regular basis. They will do this via the receipt of financial reports prepared by the Business Manager and presented at each full Board of Governors meeting.

6. Review of Policy

This policy will be reviewed annually or sooner if warranted by internal or external events or changes. The full Governing body must approve all changes.
