



# CHANGE Schools Partnership

## Reserves Policy

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## **Reserves Policy**

### **1. Purpose**

The purpose of the reserves policy for CHANGE Schools Partnership is to ensure the stability of the Trust's operations. Maintaining an appropriate level of financial reserves is considered essential in protecting the school from financial risk.

### **2. Definitions and Goals**

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time the Trustees may wish to ensure that it uses its funding to benefit the pupils in its care, which implies an imperative to consider actively, the use of reserves to enhance educational provision.

In deciding the level of reserves, Trustees will take into account the following:

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence.
- A fall in a source of income, such as lettings.
- Fluctuations in pupil numbers
- Cash flow issues due to delays in funding
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- The Trust's annual budget One month's salary bill

Reserves held individually for the Financial Statements at school level are seen to be available for all schools in the Trust and not belonging to an individual school.

### **3. Restricted Reserves**

Restricted reserves are represented by the main funding for the Trust, which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

### **4. Unrestricted Reserves**

Unrestricted reserves are made up of the Trust'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.

### **5. Retention of Reserves**

The Trustees have determined that the appropriate level of all reserves to be held for non-earmarked expenditure should equate to one month's operating costs of total funds, to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.

### **6. Reporting and Monitoring**

The Trustees are responsible for ensuring that the level and use of reserves is monitored. They will do this for the receipt of financial reports prepared by the Director of Finance and Operations. The

Director of Finance and Operations will maintain a medium-term financial forecast, which will show how end of year reported reserves will be utilised.

**7. Allocation of central costs in the Financial Statement**

Central costs allocation and apportionment for Financial Statements will be agreed at board level.

**8. Review of Policy**

The policy will be reviewed annually or sooner if warranted by internal or external events or changes. The Board of Trustees must approve all changes.

This Policy should be read with reference to the document Charities and Reserves (CC19) from the Charities Commission.

<http://www.charitycommission.gov.uk/publications/cc19.aspx>