Policy for:

Balances and Reserves 2023/2026

Committee: Finance and Personnel Committee

Document Control	
A. Confidentiality Notice	
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B. Document Details	
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C. Document Revision and Approval History

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V1	5.10.2023	School	Finance and Personnel Committee	Extended review cycle, Front page added - Approved Chair of Governor- Chairs Action 20.7.2023 - FGB Full Approval Autumn 1 2023 term 5.10.2023.

1.0 Principles

The policy takes into account the following principles:

1. Reserves must have a specific purpose related to future spending or covering current and future risks

2. The size of the reserves should balance the benefit of current spending with the risks the reserves cover

3. They should be transparent and maintain the link with the purposes for which the income was given

4. They should ensure that sufficient resources are available so that unexpected events can be accommodated without causing current year problems, generating a deficit or cash flow issues.

School Financial Value Standards recommend Maintained Schools hold a minimum of 3% of current operating budget in Reserves (SFVS) which increase to 8% for Academies.

2.0 Purposes of Reserves held by St Modwen's Catholic Primary School

The following purposes are considered appropriate for School are:

1. **CAPITAL RESERVES** established in order to fund capital expenditure and other investments that would not be affordable if financed from a single year's funding i.e. Annual Capital Funding received from BDES used to fund school Capital strategy/plan

2. **GENERAL RESERVE** to provide for unexpected and unpredictable needs, to include provision for:
    a. **EQUALISATION RESERVES** set up to smooth out irregular spending i.e. Building Maintenance Reserves
    b. **TRADED SERVICES RESERVES** used to enable variable cash demands across the schools traded services i.e Catering

3. **NURSERY RESERVE** used by Nursery for replacement of toys/equipment and for Nursery to be able to develop a Reserve pot for large outdoor/grounds projects

3.0 Reserves Held by St Modwen's Catholic Primary School are:

1. **CAPITAL RESERVES -** Currently, one reserve has been identified and is held by St Modwen's Catholic Primary School and supports the funding of School Capital Strategy/Plan. As part of the annual budgeting process all schools' governing body should consider whether additional capital reserves need to be established. The school asset management plan/programme and School Development Plan will be the main inputs into this process.

2. **GENERAL RESERVE-** General Reserves are to be maintained at a level so that when added to any Current Reserves set up by the school they aim to be between 3 and 8% of the school current operating bud as set out in Schools Financial Value Standards (SFVS).

   The level will be reviewed termly by the Finance and Personnel Committee with targets for growth set annually to support the implementation and setting of School Development plan.

   Unspent income and/or grants not specifically identified for the other purposes will be added to this reserve. Any in year deficits will be resourced from this fund as far as possible. If deficits result in the fund falling below the 3% threshold, resources will need to be set aside in the next year's budget to restore it.

   2.1 EQUALISATION RESERVES- Established in order to create a 'ring-fenced' school building/maintenance reserve so that any possible underspends in year instead of being used to sustain other areas of budget which maybe overspent to be set aside in a School Building and Maintenance Reserve which can be then drawn on in future years, when school has higher expenditure on building maintenance. This would be a prudent move and enable school to in effect develop a reserve/savings fund to fund its asset management programme and ensure school continues to be maintained to a high standard and smooth out irregular spending. Similarly, this could be adopted or include Grounds Maintenance.

   2.2 TRADED SERVICES RESERVES -The one area of the Schools operations that is likely to suffer from cash flow issues is its Traded Services. As its budget is relatively small, even modest fluctuations in demands on its resources will result in difficulties.

   Schools may also encounter cash flow issues. An example could be where a fire or major incident i.e. Covid 19 pandemic that requires urgent action and impacts on significantly increasing expenditure or loss of planned income. In Year 1 of Traded Services Reserve School will allocate a Reserve Budget funded from School Core budget. In future years school traded profits will be 'ring-fenced' and allocated to its Traded Services Reserves at year end.

3. **NURSERY RESERVE** holding any unused Nursery profits from '3/4 Year Free Entitlement, 30 hours Funding, parental fees/charges for Top-up Sessions. Nursery Reserve to be used by Nursery for replacement of toys/equipment and for Nursery to be able to develop a Reserve pot for large outdoor/grounds projects.

4.0 Ownership of Funds

Regardless of the bank accounts that hold them, the reserves will continue to be owned by the schools that provided the money to establish them.