



HILBRE HIGH SCHOOL HUMANITIES COLLEGE

CAPITAL RESERVES/INVESTMENT POLICY

Author:
Name of Committee approved:
Date ratified at Full Governors:
Date to be reviewed:

Jane Doyle
Finance
14th January 2020
September 2021

Introduction:

Where reserves are held, it is a requirement of the charity accounting regulations that charity Trustees must state their Reserves policy in their annual report. Academies as exempt charities, must comply with these regulations.

The ESFA Academies Financial Handbook 2019 sets out guidance on Academies' reserves policies and reporting requirements, which this policy aims to comply with.

Definition of Reserves:

The charity commission has provided a specific definition for "reserves" as "that part of a charity unrestricted funds that is freely available to spend on any of the charity's purposes. This definition excluded restricted income funds and endowment funds, although holding funds may influence a charity's reserves policy. Reserves will normally exclude tangible fixed assets held for the charity use and amounts designated for essential future spending".

This definition is intended to provide the charity (Academy) with a way of identifying those reserves that are readily available in relatively liquid form, if required.

Requirement to hold a Reserve:

Academies are expected to hold contingency reserves from their annual GAG funding or other income, which may be both capital and revenue reserves.

The Trustees require a revenue reserve to be created to fund future expenditure related to the School Improvement Plan's strategic long term aims and developments. The policy of the Academy is to carry forward a prudent level of resources designed to meet the long-term needs of renewal and other unforeseen contingencies, subject to the constraint that the level of resources does not exceed the level permitted by the DfE.

In addition, the Trustees may require a capital reserve to be created to fund future capital expenditure as the DfE provided minimal funding in the way of devolved Formula Capital Grant at present.

The Academy is required to consider what level of reserves it is appropriate to hold in order to demonstrate appropriate financial management, stewardship and sustainability. The Trustees wish to do this to provide assurance to all the Academy's stakeholders that it is being managed in a prudent manner for the best interests of its beneficiaries.

The Trustees will also want to provide confidence that there is a strong justification for the reserves held by the Academy and that they wish to be open and transparent on all aspects concerning its Reserves policy.

Working Capital:

All organisations needs working capital to allow it to meet its liabilities as they arise - this is a key going concern requirement. Cash or other liquid assets are required to meet normal operating expenditure.

Financial Risk Management:

All Academies are subject to a wide range of risks, many of which have financial implications. Contingency funds are appropriate to be held as mitigation against the effect of such risks. The

Trust has a formalised approach to risk management which identifies major risks that it faces (Academy Risk Register) and this is reviewed by Trustees on an annual basis. This identifies major risks that the Academy faces, assesses the severity in terms of impact and likelihood and identifies mitigating factors.

The financial risks that are mitigated by the holding of reserves include:

- Drop in income due to lower number of students on roll at census date or low take up of 6th Form places.
- Potential of discontinued grants.
- Increase in expenditure and when special projects are undertaken (e.g. salary costs, supply costs AP provision, professional fees, etc).

Future Development:

As part of their strategic planning, the Trustees also consider the need for funds to develop their activities or to consider new opportunities in relation to expansion or re-structure of premises, student well-being/Intervention/support facilities, H&S, ICT, etc).

Explanation of the policy in the Accounts:

The Charities Statement of Recommended Practice (SORP) 2005 requires disclosure of the Trust's policy on reserves in the Trust's Annual Report - stating the level of reserves held and why they are held. Details are also required of any material designated funds, setting out the amount and purposes for the funds the Trustees have decided to earmark for future applications as well as the likely timing of that expenditure.

A summary of this policy will, therefore, be included in the report each year. The wording shall be considered by the Board as part of their consideration of the annual financial statements. Where actual reserves held are significantly different to the required policy level, an explanation will be included, outlining how the Trust is seeking to resolve this parity. The notes to the accounts will identify any designated funds, the purpose of each fund and the expected date of future application of those funds.

Reserves Policy and Going Concern Considerations Explanation of the Policy in the Accounts:

The Trust's policy for reserves is linked to, and part of, its formal consideration of the Trust's going concern presumption. An appropriate level of reserves underlies the forecasts and cash flow projections that are used by the Board to confirm that the Academy is a going concern and is able to meet its liabilities as they arise.

The Trustees consider the appropriate level of revenue reserves for the Academy should be a **minimum** of 3.5% of the Trusts GAG, ESFA, DFE and LA Grant income (this % will be reviewed annually by the Trustees).

At the Year End the Reserves policy, actual reserves held and future planning forecasts are used to confirm the going concern principle applies for at least 12 months from the date that the statutory accounts are approved by the Trustees.

When does the Academy consider its Reserves Policy?

Monitoring and oversight of the reserves held by the Trust is undertaken throughout the year. This is achieved through regular management accounts, cash flow monitoring and termly financial forecasts.

At least on an annual basis, the Reserves policy is reviewed formally by the Trustees as part of its strategic and business planning process.

Monitoring and Review

The Trust has delegated to the Academy Business and Finance Committee the responsibility for reviewing the implementation and effectiveness of this policy. The Trust will approve all major changes to this policy and this policy will be promoted and published by the Trust.

The policy will be reviewed annually and in line with changes to relevant legislation and regulations.

INVESTMENT POLICY:

Upon review of the Academy reserves, cash flow forecasts and management accounts and on-going concern position, the Trustees will consider and decide on whether to invest any proportion of its reserves into a specified investment/high income savings account on an annual basis. The decision to invest will only be agreed if the Trustees are confident that access to any reserves will not be required to cover any unexpected financial requirements.