

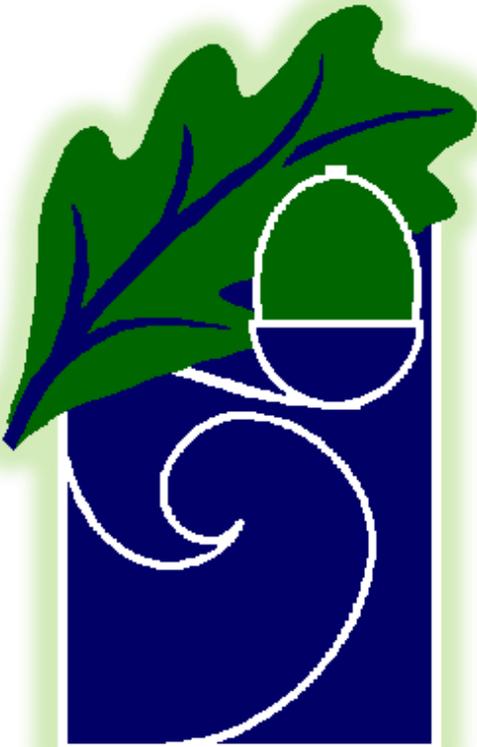
Reserves Policy



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Prepared for Governors by Carole Gibbs January 2016

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1. Introduction

There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to Priestlands School in relation to financial planning and monitoring.

One of the ways in which the Priestlands School mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.

Setting a reserves policy helps inform the way in which the school manages its cash, liquid assets and debt.

2. Level of Reserves

2.1 Unrestricted balances

The School's unrestricted balances (sometimes referred to as free reserves) are its funds after excluding restricted funds. Unrestricted balances are therefore the resources the School has or can make available to spend for any or all of the School's purposes once it has met its commitments and covered its other planned expenditure. More specifically they represent income to the School which is to be spent at the trustees' discretion in furtherance of any of the School's objectives but which is not yet spent, committed or designated. At 31 August 2015 the unrestricted balances were:-

- £229,475 accrued balance since academy conversion in 2011
- £105,486 balance from LA on conversion in 2011

Total unrestricted balance - £334,961

2.2 Restricted balances

Restricted funds are General Annual Grant (GAG) or other grants and are only to be used for educational purposes or for the purpose of the grant. At 31.8.2015, the school held the following restricted balances:-

- £366,658 GAG
- £31,252 other grants

Total restricted balance - £397,910

Total value of unrestricted and restricted balances - £732,871

2.3 Pension Deficit

The deficit on the pension reserve relates to the support staff pension scheme where, unlike the teachers scheme, separate assets are held to fund future liabilities. The deficit can be met in the longer term from any combination of increased employer or employee contributions, increased government funding or changes to scheme benefits. The deficit at 31.8.2015 had decreased from £1,079,000 to £1,018,000

2.4 Level of surplus reserves

The School's long-term policy is that the appropriate level of restricted and unrestricted general reserves should be at least £200,000. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance and increased employer costs.

3. Managing Surplus Reserves

Following the removal of the restrictions on limits to GAG reserves approved by governors on 15 January 2013, there are currently no restrictions on financial limits, however any GAG reserves must be used for the full benefit of the school's current pupils. The Board of Governors have agreed to hold reserves to offset against fluctuating pupil numbers.