

RESERVES POLICY

Prepared By	Chief Financial Officer
Approved By	Hamwic Education Trust Board of Directors
Approval Date	18.9.19
Policy Review Date	September 2020

RESERVES POLICY

For the purpose of this document, all references to the Trust refers to Hamwic Education Trust and its academies.

Introduction

The Directors of the Trust are aware of the need to secure its financial viability beyond the immediate future and must be able to absorb setbacks and to take advantage of change & opportunity.

The Trust is predominantly funded from the Education & Skills Funding Agency. It is considered good practice for the Trust to seek to hold some financial reserves which will allow future commitments or unforeseen events to be covered with minimal impact on the ability to deliver the level of education required.

The Trust will find their decision to hold, or to not hold, reserves is subject to scrutiny or comment in the public arena. This document is intended to provide stakeholders with a clear explanation of the nature and purpose of any reserves held.

Reserves are defined as any surplus held by the Trust that is freely available for its general purpose. Any reserves that are restricted in nature are excluded for the purpose of this document.

The Directors have the responsibility to manage the assets of the Trust. The Directors must consider both the needs of today's pupils as well as the future of the Trust. Holding back excessive reserves may damage the education of the current pupils. Conversely, holding no reserves could damage the education of future pupil's.

This policy has been prepared in consultation with the strategic & operational plans of the Trust which includes the following:

- Estimated future pupils numbers, taking into account demographic data
- Forecast levels of income in future years, taking into account the reliability of each source of income and the prospects for other sources of income
- Forecast levels of expenditure in future years based on known & planned activities
- Analysis of any future development needs & opportunities that are not to be met out of annual income, including capital expenditure

Central Contingency

The Directors have determined that the level of contingency to be held centrally by the Trust is to be no more than £150,000 unless expressly approved by the Board of Directors.

Any contingency held over this agreed level at year end will be refunded to academies on the basis of their contribution for that year.

This level is to be reviewed each year during the budget setting process.

The contingency is to be controlled by the Chief Financial Officer with any expenditure against this contingency to be approved by the Chief Executive Officer.

Academy Reserves

The Directors have determined that the level of reserves to be held by each academy should be no more than 8% of their annual GAG funding.

Where an academy holds reserves in excess of 8% of their GAG funding at 31 August each year, they must complete an Academy Excess Reserves Statement by the end of the first half term of the following year. This statement details how much excess reserves the academy is holding at the preceding year end and what actions they will be taking to bring the reserves in line with the policy. This statement must include the following information:

- What specific actions will be taken
- Approximate costings for each action
- Estimated completion date for each action

Academy Excess Reserves Statements must be approved by the Local Governing Body and be submitted to the Chief Financial Officer.

Minimum Reserves

The Directors have determined that the Trust shall hold no less than £2,500,000 in total revenue reserves at any point in time.

Cash Reserves

The Directors have determined that the Trust shall hold no less than £4,000,000 in cash reserves (in current accounts) at any point in time.

Academy Excess Reserves Statement

Academy Name	
GAG Funding for the Year	
Permitted Reserves (8% of GAG Funding)	
Reserves at Year-End	
Excess Reserves at Year-End	
Actions	

H A M W I C  T R U S T

EDUCATION

Local Governing Body Approval Date	