

Dame Alice Owen's School

The Dame Alice Owen Foundation - 1613

Reserves Policy

Agreed by the Governing Body Finance and Audit Committee
To be reviewed
(reviewed every two years)

March 2016
Spring 2018

To be monitored by the SLT and the Governing Body Finance and Audit Committee

Introduction

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the School and the purposes for which they will be used and maintained.

Definitions

Reserves are sums of money held by the School to meet future expenditure. There are two principal types of reserves:

- (a) Uncommitted reserves which are kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the School's Three Year Plan.
- (b) Committed reserves which are held for specific purposes.

Details of all reserves and year-end balances are contained in the School's annual Statement of Accounts

Uncommitted Reserves

The School will maintain an adequate level of uncommitted reserves to:

- Provide a working balance to cushion the impact of uneven cash flows and avoid unnecessary short term borrowing
- Provide a contingency to cushion the impact of unexpected events, emergencies and large shortfalls in budgets.
- Plan for potential major items of expenditure.

The appropriate level of reserves for this purpose will be determined by the School's Three Year Plan, which will be reviewed annually and will be subject to approval by the Finance committee and Full Governing Body. However, the School will not maintain levels of uncommitted reserves that are excessive compared with total income levels. In this context, "excessive" will be assessed and reviewed annually by the Finance committee.

The adequacy of the uncommitted reserves balance will be determined by assessing the financial risks associated with meeting continuing obligations to provide services. The risk assessment will be reviewed annually.

Factors which should be taken into account in determining the overall level of reserves and balances are:

- Assumptions regarding inflation;
- Estimates of the level and timing of capital receipts;
- Treatment of demand-led pressures;
- Treatment of savings;
- The School's track record in budget management;
- The School's capacity to manage in year budget pressures;
- The School's virements and year-end procedures in relation to

- under and over-spends;
- The adequacy of insurance arrangements.
- An assessment of external risks
- Impact of major unforeseen events; and
- Likely level of Government support following major unforeseen events.

The uncommitted reserve balance will be reviewed and projections on future balances will be made at key points during the financial year, namely as part of the budget setting process and update of the Three Year Financial Plan.

Any movement in the uncommitted reserves to a particular budget must be agreed by the Finance Committee.

Committed reserves

Committed reserves are not available to the School for use in its budget setting process. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. These reserves should have no specific limit set on them but they should be reasonable for the purpose held and it must be agreed that they are used for the item for which they have been set aside and transferred to the uncommitted reserve if it is found they are not required. In order to establish that they are fit for purpose, there will be a review of balances at least annually.