



Dame Alice Owen's School
The Dame Alice Owen Foundation - 1613

RESERVES POLICY

Agreed by the Governing Body Finance & Audit Committee
To be reviewed
(*reviewed every 2 years*)

March 2024
Spring 2026

To be monitored by the SBM and Governing Body Finance & Audit Committee

Introduction

The purpose of this policy is to ensure the stability of the School's organisational operations, so that it has the ability to adjust quickly to changes in financial circumstances, such as unbudgeted expenditure, cyclical maintenance and working capital.

Definitions

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

- a) Unrestricted reserves which are kept to meet short term, unforeseeable expenditure. These are derived from the School's activities for generating funds, for example, hires and donations which are expendable at the discretion of the school to achieve the school's objectives.
- b) Restricted reserves are funds received by the School from the ESFA, the Foundation or other grants that are given for a specific project or purpose. These funds are restricted for use according to the funding agreement of the donor's instructions.

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

Unrestricted Reserves

The School will maintain an adequate level of unrestricted 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. This contingency should be the equivalent of one month's

payroll and supplier costs, plus an additional amount for unforeseen emergency capital works, as deemed to be appropriate by the Finance & Audit Committee;

- Plan for potential major items of expenditure.

Unspent income and grants not specifically identified for other purposes will be added to this reserve. Any in year deficits will be resourced from this fund as far as possible. The School will not maintain levels of uncommitted reserves that are excessive compared with total income levels.

Restricted reserves

Restricted 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 unrestricted reserve fund, 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.

Examples of restricted reserves held by the school are:

- Foundation Fund
- FEC Fund
- Boiler Sinking Fund
- Astro turf Sinking Fund
- Large Equipment Fund
- Large Catering Equipment Fund
- Loan Repayment Fund
- Capital Project Fund
- D&T Machinery Fund

The School has the discretion to move resources from unrestricted to restricted funds and can transfer resources from restricted revenue funds to restricted capital funds.