



# CHATHAM & CLARENDON GRAMMAR SCHOOL

## Financial Reserves Policy

Agreed by Governors: January 2024

### 1 PURPOSE

The purpose of the reserves policy for Chatham & Clarendon Grammar School is to ensure the stability of the School's organisational operations; to protect it so that it has the ability to adjust quickly to financial circumstances, such as large unforeseen expenditure, cyclical maintenance and significant adjustments needed to manage the annual revenue budget.

Under the School's funding agreement with the Secretary of State, the Academy Trust (School) is no longer subject to a limit on the amount of General Annual Grant (GAG) that it can carry forward at 31 August in any one year.

### 2 DEFINITIONS of RESERVES & FUNDS

#### Restricted Reserves

Restricted reserves are represented by the main income for the School which is the General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements or donor's instructions and are subject to an external audit review each year.

There is no longer a requirement to carry forward reserves that have to remain within 12 % of the GAG funding as this restriction was lifted in 2013.

The review will encompass the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves.

The level of reserves will be determined by governors annually and can fluctuate depending on operational needs but the Governors have determined that the School should aim to have a minimum level of reserves equivalent to a month's operational expenditure. 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 repairs or a major failure of ICT systems (e.g. a school closure event).

All reserves are reported and reviewed regularly at Committee meetings and expenditure from reserves are approved by the Governors prior to their use.

#### Unrestricted Funds

These are made up of the School's activities for generating funds, investment income and other

donations which are expendable at the discretion of the Governors in furtherance to achieve the objectives of the School.

The School is confident that it will meet the required pension contributions from its projected income without significantly impacting on its planned level of charitable activity, it continues to calculate its 'free' or general unrestricted reserves without setting aside designated reserves to cover the pension liability.

These funds will be reviewed regularly by the Governors and the Finance & Resources Committee in particular and are obtained through one off donations and are generally built up over time from fund generating activities and investments.

### **Designated Funds**

These are also unrestricted funds but have been allocated by the Governors for a particular purpose.

These funds are reviewed regularly and approved by the Finance & Resources committee and can be used for specific projects or procurement of specific purchases (e.g. the purchase of a new minibus).

## **3 USE OF RESERVES**

### **3.1 Identification of appropriate use of reserve funds**

The Governors and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserve as described in this policy. This step requires analysis of the reason for any shortfall, the availability of any other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

### **3.2 Authorisation of use of reserves**

Authorisation to use reserves of any kind will be recommended to Governors by the Senior Management Team, at the next available Board meeting and approval to the recommendation should be noted in the minutes.

### **3.3 Reporting and monitoring**

The Governors are responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the School will maintain a record of the use of the funds. The School's Senior Management Team should regularly monitor the progress of the reserves and a periodic report to Governors should be made by the School's Business Manager.

## **4. REVIEW OF POLICY**

This policy will be reviewed by the Business Manager and Headteacher every three years or sooner if warranted by internal or external events or changes. Changes to the policy including the annual level of reserves required will be recommended by the Business Manager to the Board of Governors through the Finance & Resources Committee.

Next date for review of this Policy: January 2025