The Queen's Church of England Primary School

Encouraging every child to reach their full potential,
nurtured and supported in a Christian community
which lives by the values of Love, Compassion and Respect.

THE QUEEN'S SCHOOL
Financial Reserves Policy

Agreed by:	Governors' Finance Committee
Date:	September 2018
Review Cycle:	Every three years
Next Review Date:	September 2021
Version:	

All the Queen's School policies should be read in conjunction with the Equality Policy.

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The Queen's School Financial Reserves Policy.

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Overview

It is the Governors' responsibility, in consultation with the management of the school, to determine the appropriate level of reserves that the school should hold for any given financial year. The Governing Body may choose to delegate this responsibility to the Finance Committee.

It is management's responsibility to follow this guidance and ensure that any deviations are raised and agreed with the Governing Body.

The Governors follow the principle that today's money should be spent on today's children, while recognizing that proper financial planning requires a multi-year view. Following this principle, reserves which are too high tie up money which should otherwise be spent on current school activities, but reserves which are too low may put the future activities of the school at risk.

The school's reserves policy should:

- influence strategic planning by considering how new projects or activities will be funded.
- inform the budget process by considering whether reserves need to be used during the financial year or built up for future projects.
- inform the budget and risk management process by identifying any uncertainty in future income streams.

Determining an appropriate level of reserves

When considering an appropriate level of reserves, Governors will include consideration of:

- The levels of reserves recommended by the LA, and what is considered as good practice.
- Key performance indicators: Governors believe that reserves should be between 5% and 8% of total income.
- The initiatives on the Vision Plan
- The risk of unforeseen emergencies or other unexpected need for funds.
- The need to manage discretionary expenditure in light of changing government funding levels and mandatory expenditure.
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence.
- Actual or anticipated changes in income from other sources, such as lettings.
- Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project.

- Fluctuations in reserves arising from the need to account on a cash basis, such as timing differences between spending and receipt of related income.

The financial risks identified determine the amount of reserves the school seeks to hold.

Governors' Responsibilities – Budget Process

Each year, as part of the budgeting process, a report will be made to the FGB that states:

- What amount of reserves is considered appropriate for the school.
- Why reserves are being held.
- What level of reserves is forecast at the year end.
- How the school is going to achieve the desired level or range of reserves in the budget. The target reserve levels for the year will be minuted by the Governors Finance Committee and reported to the FGB.

Governors recognize that the level of reserves cannot be considered in isolation, and is inseparable from decisions about the levels of income and expenditure necessary for the school to perform its functions.

Governors' Responsibilities – During the financial year

Through the bi-monthly review process governors will identify:

- When reserves are drawn on, so that governors understand the reasons for this and can consider what corrective action, if any, needs to be taken.
- When reserve levels rise significantly above target so that governors understand the reasons and can consider the corrective action, if any that needs to be taken.
- Where the reserves level is below target, and consider whether this is due to short- term circumstance or longer term reasons which might trigger a broader review of finances and reserves.

Management's Responsibilities

The Head Teacher is responsible for implementing the reserves policy set by the Governors. At the end of the financial year the Head Teacher will present an Annual Report to governors which will:

- Compare the amount of reserves held with the target amount or target range set for reserves.
- Explain any shortfall or excess in reserves against target set.
- Explain any action being taken or planned to bring reserves into line with target.

Monitoring and evaluation of the policy

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in the light of any comments made by the DFE, EFA, auditors and any other interested parties.

Other relevant policies

- Financial Delegation of Authority

Approval

This policy was adopted by the Governing Body at its meeting on [ ]
It will be reviewed every three years, or sooner if circumstances require this.

Version history

Version	Date	Description	Status
1	March 2015	Version adopted by Governors	In force
1.1	July 2018	Draft revision prepared by SBM	Draft