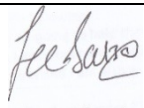


# Epping Forest Schools Partnership Trust

*Unlocking the Potential of Collaboration*

## Financial Reserves Policy

|  |   |
|--|---|
| This policy was ratified by the Board of Trustees on:                              | March 28 <sup>th</sup> 2019   |
| Signed by the Chair of Trustees:   |  |
| This Policy will be reviewed by the Trust on an annual basis.<br>Next review date: | February 2020   |

## **Introduction**

The Trust Board and Local Governing Bodies need to consider the level of reserves schools should hold. Levels of reserves which are too high tie up money which should be spent on school activities. Levels of reserves which are too low may put the future activities of the schools at risk.

## **The Reserves Policy**

The Reserves Policy:

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

## **During the financial year**

The Trustees identify:

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

## **Development of the Trust's Reserves Policy**

When considering an appropriate level of reserves, the Trustees consider:

- The risk of unforeseen emergency or other unexpected need for the funds.
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence.
- A fall in a source of income, such as lettings.
- Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project.
- The need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.

The financial risks identified determine the amount of reserves the Trust targets to hold.

## **In-year reports to the Trust Board and Local Governing Bodies**

In year reports:

- 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.

## **Annual Financial Statements**

The Reserves Policy disclosed in the Trust Report will include the following information:

- Why reserves are held.
- What amount/range of reserves is considered appropriate for the Trust.
- What the level of reserves are held at year end.
- How the Trust is going to achieve the desired level or range of reserves.
- How often the Reserves Policy is reviewed.

## **Target range of reserves for the financial year**

The reserves currently held in the financial year 2018/2019 have been inherited funds on conversion. The level of reserves will be reviewed and set on an annual basis as part of the budget setting plan.

Each Local Governing Body will be advised by the CFO to set a reserve for 2019/2020 as part of the budget-setting plan.

## **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 it will be evaluated in the light of any comments made by the DFE, ESFA, auditors and any other interested parties.

## **Reviewing**

The Headteachers and Trustees will carry out a review of this policy on an annual basis to ensure that any new or changed legislation is adhered to.