

DOVE HOUSE SCHOOL ACADEMY TRUST

RESERVE POLICY

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| Policy issued January 2017 |
| Approved by Tom Pegler, Headteacher, Annie Benton, Chair of Governors |
| Signed |
| Approved at Governing Body on 2 February 2017 |
| Next Review to be February 2018 |
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Introduction

This policy will outline the procedure to protect the Academy's activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making.

The reserves policy and the establishment of ranges is based upon an annual risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities undertaken by the Academy for its beneficiaries.

Types of Reserves

Unrestricted Reserves

Unrestricted Reserves (including Designated Reserves) are derived from income funds, grants or donations that can be spent at the discretion of the directors and governors in furtherance of any of the Academy Trust's objectives.

If part of an unrestricted income fund is allocated for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the directors' and governors' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by the Academy Trust.

Restricted Reserves

Restricted Reserves (including Designated Reserves) may be restricted income funds, grants or donations that are spent at the discretion of the directors and governors in furtherance of some particular aspect(s) of the objects of the Academy Trust; or where the nature of expenditure has

been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Restricted Reserves are only available for expenditure once the Academy Trust has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.

Restricted Reserves are also inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of the Academy Trust. The Academy's target for Restricted Reserves has been established at a minimum of 5% of restricted income during each financial year.

Designated Reserves

Designated Reserves are reserves that have been set aside at the discretion of the Directors in furtherance of any of the Academy Trust's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target timings for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

Pension Reserve

The presence of a pension surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Academy Trust.

The presence of a pension surplus or deficit will generally result in a cash flow effect for the Academy Trust in the form of an increase or decrease in employers' pension contributions over a period of years. The Academy Trust is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

The Academy Trust continues to calculate its reserves without setting aside a Designated Reserve to cover the pension liability.

Management of Reserves

Reserves held will be reviewed by the Academy Trust on a regular basis. The movement of funds to and from the reserves identified above (other than movements from restricted to unrestricted) will be at the discretion of the Academy Trust, subject to the restrictions which will remain attached to Restricted Funds (Revenue and Capital) and their use.

Policy Review

This policy will be actively reviewed during the year and changes applied to reflect the nature of the Academy Trust's operations.