



The King's (The Cathedral) School

Reserves Policy

Responsibility:	Chief Financial Officer
Ratified By:	Governing Body
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1. Purpose

The King's (The Cathedral) School's reserves policy is designed to ensure the stability of the Academy's operations, to smooth the impact of changes in financial circumstances, such as large unbudgeted expenditure and cyclical maintenance, and to fund working capital requirements. The Academy's funds incorporate a capital reserve which has been set aside to fund future investment in Academy property.

Reserves that are not available Funds

In determining this policy, the Governors have focussed on those reserves which are available for use. This means that the following funds are excluded when considering the policy.

- The Restricted Fixed Asset fund which represents the current net book value of the Academy's land, buildings, fixtures and fittings. As such it is not available for distribution.
- The restricted endowment fund which represents the market value of donated investments. The income earned on this fund is unrestricted, but the capital cannot be spent.
- Prize funds which represent the balances on individual prize funds as at the year end, where donors have made funds available for the specific purpose of an ongoing annual prize in their name.
- Designated funds representing long term balances within the trips and activities funds and unspent donations.

2. Definitions and Goals

Restricted Funds

Restricted General Funds are represented by the main income for the Academy which is General Annual Grant (GAG), and other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for use according to the funding agreements or donors' instructions.

- The Governors monitor and review funding and reserve levels. This review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of reserves. The level of reserves is determined by Governors annually and can fluctuate depending on operational needs. The Governors have determined that the Academy should aim to hold in reserves the equivalent of at least 7.5% of the restricted grant income received for the education of the children of the Academy. This sum is intended 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 maintenance. In practice, this sum is likely to be in the region of £500,000.
- The Pension reserve represents the actuarial surplus or deficit on the Local Government Pension Scheme. On 18 July 2013, Parliament agreed to guarantee that, in the event of academy closure, outstanding Local Government Pension Scheme liabilities would be met by the Department for Education. The Academy 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.

Unrestricted Funds

These are made up of the Academy's activities for generating funds, investment income and other donations which are expendable at the discretion of the Governors in furtherance of the charitable objectives of the Academy.

Designated Funds

These are unrestricted funds that have been allocated by the Governors for a particular purpose:

- The Capital Development fund has been set aside for future investment in Academy property, including improvements to the building and its facilities. This represents the balance of funds remaining from the sale of some land a few years ago.
- The Property Maintenance fund has been set aside by the Governors for major repairs or renovations that cannot be funded from GAG grants. The Academy is based in a Victorian building with significant anticipated future maintenance costs.

General Funds

The balance of unrestricted funds represents General funds which are required in order to smooth the impact of potential cuts in funding over the coming years.

All reserves are reported and reviewed regularly at Finance Committee meetings and expenditure from reserves requires the approval of the Full Governing Body.

3. Use of Reserves

Investments

Reserves over 8.33% can be kept in medium to long term investments, funds below 8.33% need to be kept on short term deposit to support monthly cashflow fluctuations.

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.

Authorisation of Use of Reserves

Authorisation to use reserves of any kind will be made by the Governors on recommendation from the Finance Committee. At the next available meeting the approval should be noted in the minutes.

4. Reporting, Monitoring and Review of Policy

This policy will be reviewed by the Finance Committee every year or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the Finance Committee to the Board of Governors.

Subject to any review, 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 Academy will maintain a record of the use of the funds. The Finance Committee should regularly monitor the progress of the reserves.