



Reserves Policy

Reviewing Member of Staff: DLB
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RESERVES POLICY

Setting Reserves

The Trustees have a responsibility to consider and regularly review the level and deployment of the funds that it has available and the reserves that are considered appropriate and reasonable.

When considering an appropriate level of reserves, the Trustees will take into account:

- The day-to-day cash flow requirements of The Balcarras Trust ("The Trust) and its activities
- The risk of unforeseen operational costs, property maintenance costs or unexpected need for funds
- Any risk of a fall in sources of core income or income from additional activities
- Planned or future commitments, that cannot be met from future income alone (e.g. capital projects)
- The need to fund potential operating deficits in a current or anticipated future budget.

These considerations, together with others thought appropriate at the time, will determine the amount of reserves that the Trust aims to hold.

The Trustees will remain mindful that levels of reserves which are too high can tie up money which should be spent on current school activities. Equally, that levels of reserves which are too low may put the future activities of The Trust at risk and prevent investment in future activities or facilities.

Policy Purpose

- To assist strategic and financial planning by considering how operational demands, new projects or future activities will be funded.
- To inform the budget process by considering whether reserves need to be released during the financial year or built up for future years or projects.

Policy Statement

The policy of The Trust is to carry forward a prudent level of resources; designed to meet working capital requirements, fund long-term cyclical needs of renewal, support future capital improvements and meet any other unforeseen contingencies. The reserves will represent capital and revenue and will be identified as Restricted, Unrestricted (of which some will be Designated Reserves).

Charity Commission Guidance

The Charity Commission sets out guidance to charities on setting a reserves policy (Charities and Reserves: Building Resilience), which includes:

3.4 What level or range of reserves is required?

Short answer

There is no single level, or even a range of, reserves that is right for all charities. Any target set by trustees for the level of reserves to be held should reflect the particular circumstances of the individual charity. To do this, trustees need to know why the charity should hold reserves and, having identified those needs, the trustees should consider how much should be held to meet them.

In more detail

The charity's target level of reserves can be expressed as a target figure or a target range and should be informed by:

- *its forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources.*
- *its forecasts for expenditure for the current and future years on the basis of planned activity.*
- *its analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs.*
- *its assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising which means that reserves are necessary, and the potential consequences for the charity of not being able to make up the shortfall.*
- *if the reserves policy is set at zero or a low level, its strategy for an orderly closure in the event of an unplanned shutdown and insolvency and particularly where there are vulnerable beneficiaries, the care of its beneficiaries.*

Trustees who hold (or do not hold) reserves without attempting to relate their need for reserves to factors such as these will have difficulty in satisfactorily explaining why they hold (or do not hold) the amount of reserves that they do.

Reserves (Revenue Reserves, Working Capital)

The Trust's main revenue funding is the General Annual Grant (GAG), which are restricted funds for the purposes of running The Trust.

The Trust generates additional revenue funding through the use of its facilities, other activities and from its areas of expertise. The Trust also benefits from donations and gifts from individuals or organisations, which are usually un-restricted funds and treated as revenue.

Under Education & Skills Funding Agency (ESFA) guidance, The Trust is expected to hold reasonable reserves from its annual GAG funding and other income.

A revenue reserve represents those revenue funds identified to meet future expenditure (in support of The Trust's strategic aims and developments), as well as to meet the shorter term operational demands of its activities and any volatility in funding.

A revenue reserve may therefore comprise restricted and unrestricted funds.

Sufficient working capital should be retained within the level of reserves to cover delays between expenditure and receipt of funding as well as to provide contingency for any unexpected costs.

The Trust considers that the level of revenue reserves for each school in The Trust should be equivalent to four weeks' GAG income.

For Balcarras School this equates to	£678,372
For The High School Leckhampton, this equates to	£372,980
For Winchcombe School this equates to	£241,464
This gives a total Reserve Target of	£918,836

These figures are based on the GAG income for 2025-26.

Restricted Reserves

Restricted Reserves will comprise revenue and capital funding received by the Trust for specified purposes.

Restricted revenue reserves are mainly represented by the statutory funding for the Trust (i.e. the General Annual Grant (GAG) for the running of The Trust's schools and other revenue funding received for specific project or purpose). These funds are restricted according to the funding agreements or conditions.

GAG funding and other restricted revenue funding will mainly be used for the benefit of current pupils and the specified activities. However, The Trust may carry forward GAG restricted funds to be used for future years, in order to support future capital plans and/or to meet anticipated operating costs and contingencies.

The Trust may identify other restricted funds or carry forward restricted funding which have been allocated to a future project or purpose. These will be considered as additional restricted revenue reserves.

The Trust may also receive restricted funds from individuals or organisations towards specific projects. These may be donated by a benefactor for particular projects. The Trust would designate any such funds exclusively to the project for which they were donated and monitor carefully to ensure that the funds are used accordingly.

Restricted capital reserves will comprise any capital funds that have been received either from statutory sources, individuals or organisations for a specified capital project purpose and which will be expended in the future.

Capital funding and reserves

The Department for Education (DfE) provides nominal capital funding, through the Devolved Formula Capital Grant, to support property maintenance or capital costs. The Trust is occasionally able to bid (on a competitive/needs basis) for additional limited funding from the Condition Improvement Fund (CIF).

The Trust may also receive restricted capital funds from individuals or organisations towards capital projects. These may be donated by a benefactor for particular projects. The Trust would designate any such funds exclusively to the project for which they were donated and monitor carefully to ensure that the funds are used accordingly.

A capital reserve identifies those capital funds that relate to future projects or capital funds set aside to help meet future unfunded capital expenditure (planned capital development and unforeseen capital works)

Unrestricted Reserves

These are derived from contributions paid to The Trust as part of the funding agreement with individual schools in The Trust.

The Trust will top slice funds from each school in The Trust, to run the central services costs of The Trust. Balcarras Trust will look to build up a central services reserve that is separate from the reserves held by each school in The Trust. This reserve will be used for future projects/costs that meet the objectives of The Trust. The Trust will hold reserves of:

A maximum of £150K

Individual schools in Balcarras Trust will also hold reserves. These reserves will be ring fenced for the use of each school. However, The Trust reserves to right to allocate the reserves from any school in The Trust to meet exceptional costs should The Trustees decide it is necessary.

The Trust considers that unrestricted reserves may be held by each individual school to a total of

*A maximum of **£850K***

(This includes the Revenue Reserve)

before being committed or designated by each individual school in the furtherance of The Trust's objectives.

Designated Reserves

The Trust and individual schools in The Trust may choose to designate part or all of their unrestricted reserves for a specific purpose or future need. In this instance, any designated reserves will be excluded from the assessment of the individual school's available free reserves.

The Designated Funds List which will be declared as part of the Annual Statement of Accounts and Trustees Report will make clear any funds donated for a particular project by a benefactor.