

Honiton Community College

Academy Trust



**This policy was adopted by the Governing Body of
Honiton Community College Academy Trust on
20th October 2021 and will be reviewed annually.**

BALANCES AND RESERVES POLICY

Introduction

Future plans need to be considered when setting the Academy's budget, in particular any uncertainty over future income or the risk of unexpected calls on the Academy's funds, balanced with the current needs of the Academy. In looking at future plans, projects or other spending needs might be identified that cannot be met from the income of a single year's budget alone. The identification of these factors might point to a need for reserves. This policy should be reviewed at least annually as part of the Academy's budget planning processes.

Setting of Reserves

The Academy's level of reserves can be expressed as a % target of income and should be informed by:

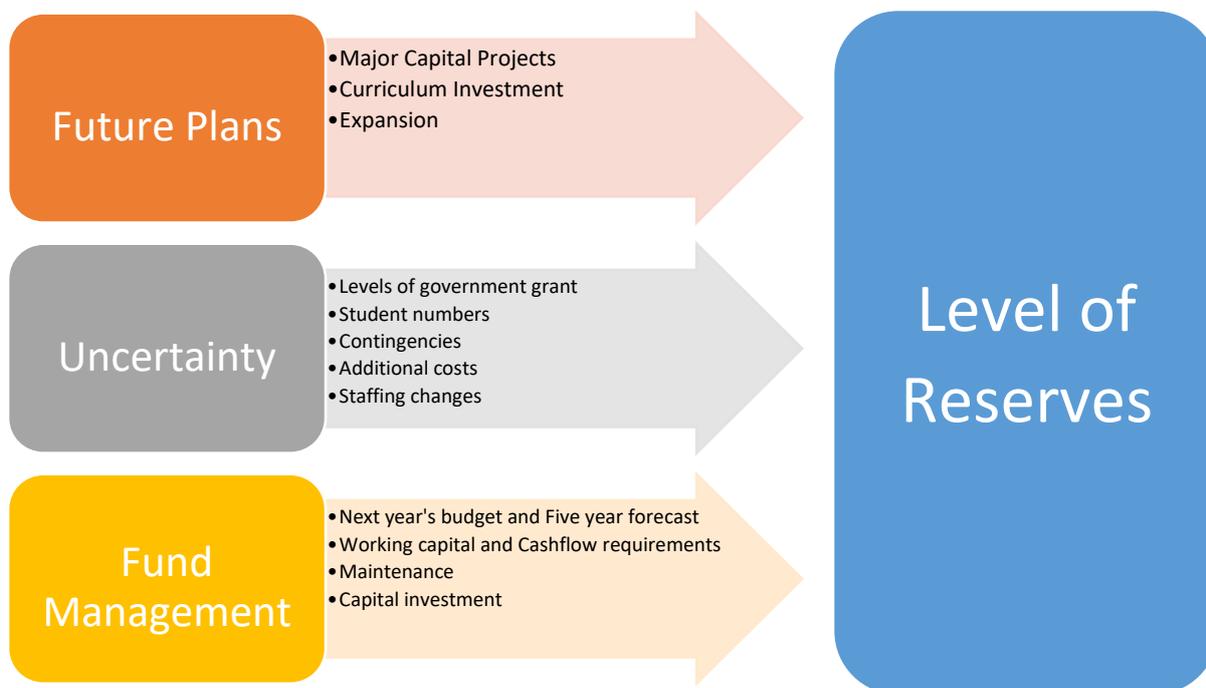
- Its forecasts for levels of income for the current and future years, taking into account the reliability of each source of income.
- Its forecasts for expenditure for the current and future years on the basis of planned activity.
- Its analysis of any future needs, opportunities, commitments or risks, where future income alone is unlikely to be able to meet anticipated costs.
- Its assessment, on the best evidence reasonably available, of the likelihood of each of those needs that justify having reserves arising and the potential consequences for the academy of not being able to meet them.

Limit of Reserves

- The Academy should not set a level of Reserves above the limits permitted by the ESFA that may result in a clawback of funds by the ESFA.
- If a 'zero level' reserves policy is adopted the academy should consider the financial and other risks in such a policy and must explain their policy in the Trustees' Annual Report.

Reserve Levels

There is no set way of calculating the right level of reserves and to that end the Academy follows the following procedure when setting its reserve levels:



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The Trustees have determined that the desired level of free reserves should be approximately £400,000. However, due to significant national cost pressures it has not been possible to maintain the level of free reserves at this level. The Trustees recognise the need to replenish its reserves to ensure the Academy has sufficient funds to cover planned and unknown future activities and has set two targets to achieve this:

Overall Level of Reserves	£430k
In-year contingency	£0

Use of Reserves

The Trustees have reviewed the future plans of the Academy and have set designated reserves as follows:

- To cover costs as a result of any negative budget predictions over the course of the academy's five year budget forecast. The College is within one of the lowest funded education authorities in England where government allocations for primary and secondary pupils are the lowest in the country.
- Contributions towards future capital investment, many of the College buildings have been declared sub-standard and in need of improvement. Their poor condition is a major drain on finances and are educationally unfit and uninspiring.
- Contribution to the costs of a Sand Dressed or Artificial Grass Pitch (AGP).
- In-year contingency to meet maternity, redundancy, etc. with the right to transfer unused contingency funds to the overall level of reserves at year end.

Monitoring of Reserves

The level of reserves should be monitored throughout the year as part of the normal monitoring and budgetary reporting processes to:

- Identify when reserves are drawn on, the reasons and any corrective action, if any, that needs to be taken.
- Identify when reserve levels rise or fall significantly above or below target, the reasons and any corrective action, if any, that needs to be taken.
- Ensure that the reserves policy continues to be relevant as the academy develops or brings on board new activities.
- Review the statement on reserves in the trustees' annual report where there have been significant changes in the reserves policy or the level of reserves held.