RESERVES POLICY

June 2026

Passmores Co-operative Learning Community

Company no: 7736246

Reserves Policy

1. Purpose

The purpose of the reserves policy for the PCLC is to ensure the stability of the academy's operations. Maintaining an appropriate level of financial reserves is considered essential in protecting the school from financial risk.

2. Definitions and Goals

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the academy's primary objective is preserved. At the same time the Trustees may wish to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

In deciding the level of reserves, trustees will take into account the following

- Uncertainty, turbulence or expected reduction in funding arrangements
- The need for any large project spend to include facilities development, ICT investment or building condition needs
- Fluctuations in student numbers
- Cash flow issues due to delays in funding
- The academy's annual budget

3. Restricted Reserves

Restricted reserves are represented by the main funding for the academy which is the General Annual Grant and other funds that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements of donors' instructions.

The trustees have determined that the appropriate level of restricted reserves to be held for non-earmarked expenditure by each school should equate to no more than 2% of total restricted funds to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies.

4. Unrestricted Reserves

Unrestricted reserves 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 to achieve the objectives of the school.

The Trustees have determined that the aspirational level of unrestricted reserves to be held for non-earmarked expenditure should equate to a minimum of 4% (£960k) of total funds to provide sufficient working capital to cover delays in the spending and receipt of grants and to provide a cushion for unexpected emergencies. However, it is understood that these level of reserves may fall below this target in the 2025/26 academic year due to the challenges in funding. The Trustees will be looking at setting future budgets to enable the reserves to return to 4% as soon as possible.

6. Reporting and Monitoring

The Trustees are responsible for ensuring that the level and use of reserves is monitored. They will do this for the receipt of financial reports prepared by the Chief Financial Officer. The Chief Financial Officer will maintain a medium term financial forecast which will show how end of year reported reserves will be utilised.

7. Review of Policy

The policy will be reviewed annually or sooner if warranted by internal or external events or changes. The Trust Board must approve all changes.

This policy was reviewed by the FA&R Committee on the 22nd June 2026 and ratified by the Trust Board on the 13th July 2026