



## Reserves Policy

Key Information	
Policy Reference Number	CCW - RES
ELT Post Responsible for Update and Monitoring	Chief Financial Officer
Published on Website	Yes
Date approved by ELT	11 June 2024
Date Approved by Governor's Committee (if applicable)	21 June 2024
Date of Next Policy Review	30 June 2027

## 1. Aim/Scope

- 1.1 The Charities Commission for England and Wales expects that the governing board of a charity to set out and publish its policy for reserves and to monitor compliance. This is also a requirement as set out in the ESFA's recently published Colleges Financial Handbook which comes into effect from 1 August 2024.
- 1.2 The purpose of this policy is to set out the Corporation's requirements, definition and methodology for retained reserves to ensure that the College maintains sufficient cash to enable it to maintain operations and provide sufficient headroom to cover unforeseen/unplanned shortfalls in financial performance whilst corrective actions are being taken.
- 1.3 This policy is important with respect to the Corporations' legal duties to act in the interests of the College and its beneficiaries; to protect College assets; ensure accountability and demonstrate reasonable care and skill.
- 1.4 This policy will not discriminate either directly or indirectly against any individual on grounds of sex, race, ethnicity, sexual orientation, marital status, religion or belief, age, disability, or any other protected characteristic.

## 2. Definitions

- 2.1 Reserves are part of the College's funds that are freely available to spend on any of the charity's purposes.
- 2.2 Reserves are held to make sufficient provision for potential future cashflow requirements and contingencies. These can include responding to unexpected emergencies, taking advantage of opportunities that may arise and (in extremis) preparing for closure scenarios and the unavoidable wind-up costs that might be associated in such a situation.
- 2.3 It is the view of the Corporation and the Accounting Officer that the most appropriate basis for determining the College's reserves policy is the level of unrestricted cash and investments net of capital grants received in advance and anticipated recoveries, for example the Adult Education Budget funding paid on profile. This is calculated as follows in *Table 1* below:

	£'000
Current (Unrestricted) Investments	X
Unrestricted Cash / Cash Equivalents	X
Less: Capital Grants Received in Advance and Anticipated AEB Recoveries	(X)
<b>Cash Reserves</b>	<b>X</b>

(Table 1: Basis for Calculating Cash Reserves)

- 2.4 The College will express and monitor its target for minimum cash reserves in terms of cash days in hand.

## 3. Policy Statement

- 3.1 The College will seek to achieve cash reserves at each month-end of at least 25 cash days in hand. This is regarded as a minimum threshold, noting that cash days in hand closer to 50 provides a more appropriate degree of headroom given the potential for unplanned factors to impact on the College's finances.
- 3.2 The reserves policy will be reviewed annually as part of the finalisation of the budget and financial plan.

## 4. Reporting Framework

- 4.1 Performance against the cash days in hand target will be reported in the monthly management accounts, budget reports and the annual financial statements.
- 4.2 The Corporation will be notified immediately in the event of any significant issue, variation or cause for concern where reserves are forecast to fall below the minimum of 25 cash days in order that corrective action can be taken.

## **5. Related Documents**

5.1 The following documentation forms an intrinsic part of the Reserves Policy:

5.1.1 Risk Management Policy

5.1.2 Financial Plans, Management Accounts and Annual Financial Statements

5.1.3 Treasury Management Policy