



# UTC South Durham Reserves Policy



<b>Date of adoption</b>	June 24
<b>Approved by</b>	Governing Body
<b>Signed:</b> (Principal) 	<b>Date:</b> June 24
<b>Signed:</b> (Chair of Governors) 	<b>Date:</b> June 24

<b>Date to be reviewed by</b>	June 25
<b>Review History</b>	Reviewed – Jean Bell Sept 2020 Reviewed – Vanessa Stobart Sept 2023
<b>Responsibility</b>	Chief Financial Officer

## 1. Reserves Policy

An academy trust holds restricted and unrestricted funds. Unrestricted funds are held to provide funds which can be designated to specific areas such as:

- UTC activity and business engagement to improve the educational attainment and achievement of our students
- To cover ongoing costs in relation to the running of the academy including catering provisions, school trips and uniform costs

The level of reserves is reviewed by the trustees annually and cash forecasting is monitored regularly by trustees throughout the year. The minimum level of reserves for the ongoing needs of the academy is reviewed by the trustees on an annual basis. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves. The trustees therefore consider it would be prudent to hold unrestricted reserves in the general fund in the form of free reserves (total funds less the amount held in fixed assets and restricted funds) of £200,000.

This is considered sufficient to cover:

- a) Salaries and associated costs for one month

The academy's current level of free reserves are in deficit by £299,000 (as at 31 August 2023, pre-audit) and therefore currently below the level of reserves identified for the ongoing needs of the academy. However, the ESFA agreed a cash loan in 2021 of £203,000 to support the UTC cash flow during the deficit recovery period. A debt repayment plan was agreed by the ESFA in April 2023 with debt repayment commencing in August 2024.

The cash at bank is forecast to remain above the £200,000 free reserves minimum and the deficit recovery plan approved by trustees supports a deficit recovery within 5 years and repayment of the ESFA loan gradually across a period of 9 years so as to protect cash flow.

During the deficit recovery period the trustees agree that cash at bank should be managed so as to remain above £200,000 and this will continue as part of the reserves policy until the reserves are recovered to the £200,000 levels specified.

The transport costs are a necessity for the UTC due to its rural nature and currently require 6% of the annual budget. Because of this significant demand on the budget annually, the deficit recovery is planned across a 5 year period, to ensure the UTC balance the educational achievement and attainment of the students with the need to return to a surplus reserves position.