Penryn College
Reserves Policy

Approved by:	**Full Governing Body**
Date Approved:	**23rd September 2026**
Reviewed:	**September 2026**
Responsible Staff member:	**CFO**
To be reviewed:	**September 2027**

Statement of Intent

Penryn College is committed to maintaining appropriate reserves to support its long-term financial sustainability and resilience. Reserves provide the Trust with the flexibility to manage unforeseen financial pressures, support strategic priorities, and ensure compliance with the requirements of the Academies Trust Handbook.

Purpose

The Trust maintains reserves from General Annual Grant (GAG) funding and other income sources to:

- manage the financial impact of unexpected or prolonged staff absence;
- fund future estate maintenance, renewal, and development;
- respond to unforeseen operational or financial pressures; and
- ensure sufficient cash flow to meet contractual and payroll commitments in the event of delays or disruption to funding.

Reserves are managed prudently and reviewed regularly to ensure they remain appropriate to the Trust's operational needs, strategic objectives, and risk profile.

Composition of Reserves

The Trust's reserves comprise:

- Unrestricted revenue reserves available to support general Trust activities and financial resilience; and
- Restricted GAG reserves, which may only be used in accordance with the conditions attached to GAG funding.

Target reserve levels and funding arrangements are detailed in the appendices to this policy.

The Trust may, from time to time, hold reserve levels above or below target where this supports effective financial planning and the management of surpluses or deficits over the medium term.

Monitoring and Review

Trustees will review the adequacy of reserves at least annually as part of the budget setting and financial planning process. The review will consider the Trust's financial position, key risks, strategic priorities, and future funding requirements to ensure reserve levels remain appropriate and sustainable.

Roles and Responsibilities

The Chief Financial Officer (CFO), working with the Headteacher, is responsible for implementing and managing this policy.

Reserve levels will be reviewed annually as part of the year-end accounts process and reported to Trustees. Further information on reserve categories, target levels, and management arrangements is provided in the appendices to this policy.

Penryn College
"Achieving through Challenge"

APPENDIX 1:

The General Contingency Reserve is held to provide financial resilience and may be required to:

- allow time for corrective action where income falls below expectations;
- support planned commitments or designated projects that cannot be funded from future income alone, such as major asset purchases or projects requiring matched funding;
- fund short-term cash flow deficits where expenditure must be incurred before grant funding or other income is received; and
- respond to unforeseen financial pressures or operational needs.

Composition

The General Contingency Reserve comprises:

- the unrestricted undesignated reserve; and
- the restricted General Annual Grant (GAG) reserve, which may only be used for expenditure permitted under the conditions of GAG funding.

Target Reserve Level

The target level for the General Contingency Reserve is between **8% and 13%** of annual income.

For the purposes of this policy, annual income is defined as the restricted income received during the most recently completed financial year, or such other measure as may be recommended by the auditors and approved by the Trustees' Finance, Audit and Risk Committee.

Sources of Funding

Incoming Resources

- The unrestricted undesignated reserve comprises accumulated unrestricted income that has not been allocated or spent.
- The restricted GAG reserve comprises accumulated unspent GAG funding that has not been allocated for a specific purpose.

Use of Reserves

The reserve should only be used to fund:

- expenditure included within the approved annual budget; or
- expenditure separately approved by the Trustees' Finance, Audit and Risk Committee, or under delegated authority granted to the Headteacher.

Review and Monitoring

The Chief Financial Officer and the Trustees' Finance, Audit and Risk Committee will consider the level of the General Contingency Reserve when reviewing and approving the three-year budget and any requests for additional expenditure.

Reserve levels will be monitored regularly to ensure they remain appropriate to the Trust's financial position, risks, and future funding requirements.