



**Federation of
Westminster Special Schools
& Bi-Borough Inclusion Service**

Financial Reserves Policy

Approved by Full Governing Board: February 2026

Next review due: February 2027

Financial Reserves Policy

Introduction

The Governing Board needs to consider the level of reserves that each school and the Bi-Borough Inclusion Service hold and assess the level of reserves necessary to manage cash flow and to mitigate any unforeseen circumstances that would have a negative financial impact.

Reserves that are too high tie up money which should be spent on current educational activities, reserves which are too low may put the future activities of the school at risk.

The Federation's reserves policy

The Federation's reserves policy:

- Assists in strategic planning by considering how new projects or activities will be funded.
- Informs the budget process by considering whether reserves need to be used during the financial year or built up for future projects.
- Informs the budget and risk management process by identifying any uncertainty in future income streams.

During the financial year

The governors will identify:

- When reserves are drawn on, so that governors understand the reasons for this and can consider what corrective action, if any, needs to be taken.
- When reserve levels rise significantly above target so that governors understand the reasons and can consider the corrective action, if any that needs to be taken.
- Where the reserves level is below target, and considers whether this is due to short-term circumstance or longer term reasons which might trigger a broader review of finances and reserves.

Development of the Federation's reserves policy

When considering an appropriate level of reserves, the governors will consider:

- The risk of unforeseen emergencies or other unexpected need for funds.
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence.

- A fall in a source of income, such as pupil premium.
- Planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project.
- The need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.
- The financial risks identified determine the amount of reserves the Federation targets to hold.
- In-year reports to governors:
- Compare the amount of reserves held with the target amount or target range set for reserves.
- Explain any shortfall or excess in reserves against target set.
- Explain any action being taken or planned to bring reserves into line with target.

Annual financial statements

- The reserves policy disclosed in the governors report will include the following information:
- Why reserves are held.
- What amount of reserves is considered appropriate for the Federation trust?
- What the level of reserves is at the year end.
- How the Federation trust is going to achieve the desired level or range of reserves.
- How often the reserves policy is reviewed.

Target range of reserves for the financial year

At present the Federation schools are undergoing significant expansion with substantial additional advance funding as the numbers of Children & Young People are building up, particularly at College Park. This makes it difficult and possibly unwise for the Governing Board to fix a specific target figure to hold as a Federation reserve.

The position will be reviewed at the end of 2026 when the position will be more settled.

Monitoring and evaluation of the policy

This policy will be monitored regularly for any changes in legislation or directions from the DFE which may have an effect and evaluated in the light of any comments made by the DFE, WCC, auditors and any other interested parties. .

Reviewing

The Federation Business Leadership Team and governors will carry out a review of this policy on a regular basis to ensure that any new or changed legislation is adhered to. As no specific figure is set in this policy, the position should be reviewed in February 2027.