



Reserves Policy

Purpose

The purpose of the reserves policy is:

- To maintain sufficient unrestricted reserves to enable Inspire Education Group (IEG) to meet its charitable purpose and continue to provide a public benefit to all stakeholders
- To balance the expenditure of income on current learners against ensuring the need to invest and improve facilities for future learners
- To maintain a level of reserves to maintain IEG as a going concern and operationally sound, to meet all liabilities as they fall due, and for a period of at least twelve months hence

Scope

This policy is focussed on the reserves of IEG to ensure the organisation is financially resilient, and accounts can be prepared on a going concern basis. The reserves policy provides the framework to do this.

The Policy Statement

This policy sets out IEG's approach to reserves to support its financial resilience and comply with Charity Commission guidance. IEG will report on this policy in its annual Financial Statements, to provide assurance that it is appropriate for the accounts to be prepared on a going concern basis. The limits in the policy would normally be based on the charitable nature of the IEG with a focus on cash reserves and the extent to which these are restricted or unrestricted in their use. This policy is broader than just the cash position to ensure that all elements and requirements are included.

To ensure that IEG can meet its ongoing obligations the reserves policy will focus on three metrics:

- The level of overall reserves, set at 60% of operating income
- The net current assets position being in excess of 10% of operating income
- The levels of cash balance available at the end of each financial year exceeding 60 days of operating expenditure

IEG would wish to maintain these metrics at the end of the year to protect operations in the following year against in-year changes to funding rules, the uncertainties of student recruitment and commercial income generation.

Policy Name: FIN010 – Reserves Policy

Policy Author: Chief Financial Officer

Issue: July 2024

Approved by: IEG Corporation

Review Date: May 2025

Site: IEG Website, Inspire Insights



The value excludes the impact of any pension revaluation adjustments, made under FRS102.

Exceptions may occur where strategically important capital or strategic developments mean that IEG must expend reserves beyond the limits in the policy to achieve a greater public benefit and/or enable future obligations to be met such as the funding of a new building, capital redevelopment of an existing building or to support the growth of the IEG Group.

The Appendix of this Policy details the calculation of operating income and expenditure, and any adjustments in calculating the IEG reserves.

Responsibility

Governing Body

The Governing Body is responsible for ensuring that the reserves policy of IEG is approved and is appropriate to securing the future sustainability of IEG and ensuring that it is reviewed and updated on an annual basis. Any areas where the policy is not met must be approved by Governors.

Chief Executive Officer

The CEO is responsible for the solvency of the organisation.

Chief Financial Officer

The CFO is responsible for ensuring budgets and capital plans maintain the principles of this policy.

Group Director of Finance

To monitor compliance against the policy and report if forecasts predict diversion from the policy thresholds.

Related Documentation

FIN001 - Financial Regulations (for relevant year)

FIN004 - Treasury Management Policy

College Financial Handbook

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Calculation of Reserves for the purposes of the policy

LGPS Pension and enhanced pension liabilities on the basis that IEG believes it has the ability to finance any liabilities out of current and future income the pension liability is excluded.

Calculation of operating income for the purposes of this policy

The value of Donated Assets would be excluded in calculating operating income.

Reporting Requirements

As part of the Statement of Recommended Practice for charities, IEG is required to include a statement in the annual Financial Statements on the IEG's reserves policy. The statement will include:

- The amount of total funds the charity holds at the end of the reporting period
- Funds which are restricted and not available for the general purposes of the charity at the end of the reporting period
- Identify and explain any material amounts which have been designated or otherwise committed at the end of the reporting period
- The timing of the expenditure of any material amounts designated or otherwise committed at the end of the reporting period
- Identify the amount of any fund that can only be realised by disposing of tangible fixed assets
- The amount of reserves held at the end of the reporting period after making allowance for any restricted funds, and the amount of designations, commitments (not provided for as a liability in the accounts) or the carrying amount of functional assets which the charity considers to represent a commitment of the reserves they hold
- Compare the amount of reserves with the charity's reserves policy and explain, where relevant, what steps are being taken to bring the amount of reserves held into line with the level of reserves identified by the trustees as appropriate given their plans for the future activities of the charity

Underpinning Principles

Capital Commitments

IEG is developing a revised Estates Strategy, which will require significant investment during the five-year period of the plan. It is likely that the capital investment requirements may impact on the IEG's reserve and cash position. Each investment, and its impact on cash and reserves will be considered by IEG Governors in advance of making any financial commitment.

Level of Reserves needed

When looking at the level of free reserves that it would be prudent for IEG to hold, the following items are considered:

- The security of present funding
- How long would it take to secure alternative sources of funding
- What risks and opportunities may arise which could not be met out of income
- What commitments could be made that reduce reserves temporarily, based on recovering the position from future cash inflows

Going Concern

Work to calculate closure costs would be undertaken if there was any threat to the going concern status of IEG.

- In the unlikely event of the college closing, how long would it take to transfer students to other organisations and wind up in an orderly manner causing least hardship to students
- How the college would meet the costs involved in winding up such as redundancy costs, legal and accountancy costs and the crystallisation of pension liabilities