

RESERVES POLICY

Skills for Independence & Employability Limited

Trading as

The Oaks Specialist College

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Registered as a Charity in England and Wales No. 1187919

A Private company limited by guarantee without share capital in England and Wales
Company No. 11901504

Registered Office: Cage Green Road, Tonbridge, United Kingdom, TN10 4PT

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1. Introduction

1.1. Background

The Oaks Specialist College is a college provision for 18 to 25 year olds with learning difficulties in West Kent and surrounding areas. Our offer is built upon knowing our learners and tailoring our programmes of study and learning opportunities to meet each learner's individual needs – providing high aspiration and challenge, underpinned by appropriate, targeted support and interventions.

We work closely with a range of employers and other organisations to ensure that the skills, knowledge and understanding gained in college are applied in the “real world” so that every learner makes clear progress and develops into a young person who is respected and valued in their community and is confident and able to contribute fully.

On leaving The Oaks, we intend that our young people will gain employment, further training or meaningful volunteering roles and be able to live their life more independently – with less dependency on others as they continue to develop, mature and thrive.

1.2. Charity Objectives

The Oaks Specialist College is a UK registered charity. The objectives of the charity are to act as a resource for young people between ages 16 and 25 with learning difficulties and disabilities, and/or special educational needs & disabilities, living in the South East of England, by providing advice and assistance, and organising programmes of physical, educational and other activities, as a means of:

- a) advancing in life and helping young people by developing their skills, capacities and capabilities to enable them to participate in society as independent, mature and responsible individuals;
- b) advancing education;
- c) relieving unemployment;
- d) providing recreational and leisure time activity in the interests of social welfare for people living in the area of benefit, who have need by reason of their youth, age, infirmity or disability, poverty or social and economic circumstances with a view to improving the conditions of life of such persons

1.3. Reserves Policy Objectives

The Trustees establish this Reserves Policy so that they can comply with their legal duties to act in the interests of the charity and its beneficiaries, protect and safeguard the assets of the charity, act with reasonable care and skill, and ensure the charity is accountable.

This Reserve Policy will:

- Fully justify and clearly explain the keeping or not keeping of reserves
- Identify and plan for the maintenance of essential services for our beneficiaries
- Reflect the risks of unplanned closure associated with the charity's business model, spending commitments, potential liabilities and financial forecasts
- Help to address the risks of unplanned closure on our beneficiaries (in particular, vulnerable beneficiaries), staff and volunteers
- Explain exactly what reserves are kept (or not kept) for and when they are to be used
- Be monitored and reviewed regularly for effectiveness in the light of the changing funding and financial climate and other risks

1.4. Definition of Reserves

Reserves are that part of the charity's unrestricted funds that are freely available to spend on any of the charity's purposes. The starting point for calculating the amount of reserves held is the amount of unrestricted funds held by the charity.

In order to not adversely affect the charity's ability to deliver its aims the following items are excluded from reserves:

- tangible fixed assets used to carry out the charity's activities, such as land and buildings
- programme-related investments held solely to further the charity's purposes
- designated funds set aside to meet essential future spending, such as funding a project that could not be met from future income
- commitments that have not been provided for as a liability in the accounts

2. Income and Expenditure

2.1. Sources of Income

The UK has a high needs funding system that supports provision for children and young people with special educational needs and disabilities (SEND) from their early years to age 25. This enables both local authorities and institutions to meet their statutory duties under the Children and Families Act 2014.

Under this framework, The Oaks is classified as a Special Post-16 Institution (SPI). As such, the income of the charity is almost exclusively derived from the UK Education and Skills Funding Agency (ESFA) and the commissioning and payment for places at the college by local authorities. The amount of such income is based by the ESFA on the number of The Oaks students with Education Health and Care Plans (EHCP), and by local authorities on the assessed and agreed level of learner's individual needs.

We receive core funding from the ESFA based on an amount per student calculated using the post-16 national funding formula (element 1), and an amount per high needs place (element 2).

We also receive significant top-up funding for learners with high needs (element 3), which is paid directly by the local authority commissioning the place (for example Kent County Council; East Sussex County Council).

The number of students used as the basis for calculating funding is as of the last Individual Learner Record (ILR) return to the ESFA.

In addition to the above, we may also receive income from grants and donations. However, SEND provision to age 25 should be fully state funded and this income is currently negligible. Nevertheless, most schools and many SEND provisions do fundraise or receive donations, grants, gifts or legacies. Such income is often Restricted in that it is given for a specific project, purpose or development; so these funds are automatically excluded from the free unrestricted cash reserves in our accounts.

2.2. Spending Commitments

The Oaks has both operational and capital expenditure budgets in total ~£1.16M for the fiscal year to 31st July 2021. Our operational expenditure makes up ~98% of the total. Minor capital expenditure currently only makes up of 2% of the total spend.

Operational Expenditure

The vast majority of our spending commitments are to ensure we have enough people with the right skills to meet our objectives for young people, and an appropriate safe space in which to operate. Together our staff and premises costs make up more than 90% of our operational expenditure.

To meet its objectives The Oaks requires lecturers and learning support practitioners with specialist skills specific to special educational needs and disabilities. It also requires them at a high ratio of staff to learner. Our primary spending commitment is to our staff, consisting of the leadership, lecturers & tutors, learning support practitioners, support workers, job coaches, therapy support workers, and apprentices. Together this represents an average of about 70% of our monthly outgoings.

(For reference, and to exclude from final version, this includes expenditure line items: Lecturers' salaries (inc. Exec Head & Leader); Job Coaches; Learning Support Practitioners; Apprentice Payments; Support staff; Therapy Support Worker; Staff subsistence and travel costs; Staff development and training; Agency supply staff)

The premises of The Oaks must be safe, secure, and with appropriate capabilities to satisfy the objectives of our learners' EHCPs. Rent, maintenance, and utilities costs of our premises represent an average of about 22% of our monthly outgoings.

(For reference, and to exclude from final version, this includes expenditure line items: Rent; Maintenance & repair costs; Utilities; Cleaning & Waste Services; Loan repayments; Rent)

The remaining ~9% of our monthly expenditure provides travel and travel training for learners, therapies, educational support materials (e.g. subscriptions, educational software licenses, learning resources, exams and accreditations), catering, technology support, and other office related costs and supplies (e.g. accountancy, professional services, printing, etc.).

(For reference, and to exclude from final version, this includes all other remaining expenditure line items)

Capital Expenditure

Our annual capital budget provides for learning spaces to be appropriately equipped with screens and adaptive technologies; Desktop PCs and printers, and office furniture. Trustees need to plan ahead for any future capital investment required for future developments, acquisition of property, vehicles, major equipment and any specialist adaptations of the same.

3. Risks

3.1. Risks to Income

The ILR return is submitted annually, and therefore reflects student numbers in the previous academic year that may be different from the current funding year. There is a risk that growth in student numbers between one college year and the next result in income shortfalls.

There may have been marginal reductions in students on roll from year to year, as lag funding mechanisms mean funding this year is based on numbers and performance last year. If The Oaks continues to have ambitions to grow and develop further services and/or satellite sites or units hosted on other sites; it may be essential to designate development reserves for 12-24 months of delivery, whilst statutory funding catches up with delivery. To date the College has successfully negotiated in-year catch up funding from the ESFA as a new start up to alleviate this difficulty, but funders may have far less flexibility in future

Funding is not released at regular intervals, nor in consistent amounts. There is therefore a risk that irregular income receipt creates unmanageable troughs in cash flow.

Our statutory funders will not always agree with, or approve some assessed high needs funding, so there is a risk of further protracted delay while agreement is reached and/or a risk that anticipated income for some elements will be reduced after the required support has been delivered.

The high needs funding system, national funding formula, and the Education and Skills Funding Agency are instruments of the UK government. There is a risk that changes in government policy and/or funding priorities negatively impact the funding formula resulting in income shortfalls.

SPI element 3 funding is paid directly by the local authority commissioning the place (for example Kent County Council). There is a risk that changes in local authority policy and/or funding priorities negatively impact the element 3 funding, resulting in income shortfalls.

The whole UK SEND provision is under-resourced, with large sums committed by local authorities to defending Educational Tribunals and to (often long-term) placements out of county in the independent sector where no suitable provision is agreed within the locality. The number of EHCPs is currently rising nationally and this demand is increasing, so there will be increasing pressure to reduce benchmark rates in a bid to produce 'efficiencies' [savings], possibly at short notice.

3.2. Risks to Beneficiaries

The beneficiaries of The Oaks are first and foremost young people with special educational needs and disabilities, and indirectly their families, employers and the community. Unplanned closure or cessation of our provision presents a risk to the education, welfare, and employment prospects of our vulnerable learners and their life chances.

Our staff are largely full-time paid employees who dedicate their work lives to improving the opportunities for young people with special educational needs and disabilities. Unplanned closure would result in the loss of a job and income and present a risk to their livelihood.

Even the perceived risks of closures, staff reductions, redundancy or funding issues would add huge pressure to staff who are already engaged in very worthwhile but challenging work. This could lead to staff churn, poor morale and eventually might affect learners and their families.

4. Reserves

4.1. Short Term Minimum Objective

Given the stated risks to income and to our beneficiaries, the Trustees intend to reserve an absolute minimum level of unrestricted funds sufficient to sustain the charity without any income for a 3-month period. This is to ensure there are enough financial resources to carry on activities in the event of short-term cash flow troughs, and/or income constraints.

This short-term reserve objective amounts to £280,500 based on the following calculation:

$(3 \times £65,000 \text{ for staff costs}) + (3 \times £20,000 \text{ in premises costs}) + (3 \times £8,500 \text{ in other opex costs}) =$
£280,500

4.2. Longer Term Objective

The Trustees want to ensure the charity is able to complete a full academic year for all learners, without loss of staff, student opportunities and quality of work, and to allow for sufficient time to find a new funding model if required, so that all students who wish to stay at the College can do so. Given the volatility of future funding, risks of delay due to natural timing lags in that funding, and the very low chance of additional income streams [grants or social enterprise or legacies etc] trustees believe the unrestricted cash reserves need to be at least 6 months operating costs and will seek to increase to this level at every opportunity.

In addition to ensuring the stability of the charity operating costs, we also wish to designate unrestricted cash reserves to be applied to the following purposes:

- a. A development fund for new satellite locations and/or services
- b. A Property development fund for repairs and/or purchase
- c. A Property fund to cover the liability that is rent committed until the next break clause that we can exercise

The Oaks is currently in the process of building up to that level of reserve and are budgeting accordingly.

4.3. Policy Review

The Trustees commit to reviewing this policy at least annually for effectiveness; and in line with Charity Commission guidance and likely changes to statutory funding mechanisms.