

FINANCIAL RESERVES POLICY

Company Operations

ADO Services C.I.C

Incorporating ADO River Valley

Version 1.0 ©2025

2025-26

| | |
|---|---------------|
| Last Ratification By Management Committee | October 2024 |
| Next Review By Management Committee | December 2025 |
| Latest Update by ADO River Valley | October 2024 |

1. Policy Overview

The Financial Reserves Policy provides a directive to maintain a level of financial reserves to ensure that ADO River Valley School (ADO RV) is protected from financial risk.

The Directors, Shareholders and Management Committee are responsible for ensuring that the school has in place a mechanism whereby in the worst-case scenario of events, where identified risks have been breached, a reserve of funds will be made available to use to keep the school operational and ensure that student education continues if there is limited or no income.

The reserves are to be considered a safety net and should never be used for any other purpose other than when deemed by the financial management committee to do so on a majority vote.

2. Risks

Identifying risks due to financial constraints can vary from short term revenue shortfalls to severe longer-term shortfalls in income versus expenses. The risks can be identified to include, but not limited to the following:

- Late payments from customers effecting cashflow.
- Non-payment from customers following dispute.
- Non-payment from customers due to their own financial restrictions in paying.
- Non-payment from customers due to their own financial collapse.
- Unexpected large expenses due to large emergency requisitions for health and safety and risk management.
- Unexpected large expenses due to damage, failure, fire and destruction of school operational infrastructure or key systems.
- Unexpected legal bills.

3. Monitoring Financial Levels

The financial management accounts are produced every month after the 5th day of the following month in arrears. The financial director will monitor the current financial situation based on actual revenue versus expenses and the overall financial inputs will be used to adjust the overall forecasts both monthly and for the school financial year. The accounts are then sent to the head, proprietor and financial management committee to review accordingly complete with notes and with commentary with any variations to the forecasts flagged, inclusive of forecast profit and loss.

4. Reserve Levels

The initial reserve level safety net will be set at the beginning of the school year and recorded in the financial management accounts as a separate entry. The reserve amount shall be calculated at 7.5% of the expected grand total revenue forecast for the new school year. This will equate to the following safety net.

- To cover at least two months salaries for all teaching and operational staff
- To cover at least two months total school expenses, not including projects or any other capital expenditure not deemed critical to the operation of the school.

5. Review of Reserve Levels

The reserve level of 7.5% of gross forecast annual revenue can be reviewed as part of the quarterly financial management committee meetings if a member of that committee deems it appropriate based on the monthly reports, otherwise it will be reviewed annually, in line with this policy.

6. Authorisation To Action the Reserve Level

In the unlikely scenario the financial controller flags a risk to the school finances, if not scheduled within the quarterly financial management committee meeting, the financial controller can advise the head of school and school proprietor that an emergency financial committee meeting will be required to decide further action.

To action the use of the reserve will require a majority vote at committee level and passed by the chair.

During this meeting the financial controller will advise accordingly, depending on the risk, whether there will be requirements to cut other non-operational expenses and the recommended time periods with re-adjusted forecasts.

8. Policy Review

All ADO River Valley policies and procedures follow ITIL guidelines to ensure version control, change control and release management of any documents. As a matter of policy, documents can be updated at any time to reflect changes to ADO River Valley procedures, legal changes, OFSTED directives or any other reason to ensure the policies and procedures are accurate and correct. This involves consultation with stakeholders, the ADO River Valley Governance Committee and approval from the directors and shareholders. All policies and procedures are reviewed at the very least on an annual basis. Regular communication through newsletters, social media, text systems and through our website within the ADO River Valley Library is part of our Release Management.

9 Contact

This document was produced by the ADO River Valley Operations Consultancy team (Kylanja Ltd). This version supersedes any previous versions and will be reviewed annually.

All correspondence with regard to this policy, or any other operational policy and procedure should be directed to the ADO River Valley by e-mailing education@adorivervalley.co.uk or calling 0208 855 6778, requesting to speak to the School Business Manager or in writing c/o School Business Manager, ADO River Valley School, 126 Upper Wickham Lane, Welling, Kent, DA16 3DP.