

WFC Reserves Policy 2025/2026

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SLT Lead:	Deputy Chief Executive Officer
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1. Purpose and Background

The College is committed to maintaining a strong financial foundation to ensure long-term sustainability, the continuity of education provision, and the ability to respond flexibly to strategic priorities and unforeseen events. In line with the requirements of the *Charities SORP (FRS 102)* and Department for Education (DfE) expectations, this policy sets out the framework for the maintenance and use of financial reserves.

The *Statement of Recommended Practice (SORP)* requires the inclusion of a clear statement on the organisation's reserves policy in its annual Financial Statements. This policy has been developed in that context and reflects good governance and risk management practices expected of further education providers.

2. Definition of Reserves

Reserves refer to the part of the College's funds that are freely available for general use, including to:

- Support continued delivery of services in the event of unexpected financial challenges.
- Enable investment in the College's strategic priorities.
- Ensure a managed transition should a material change in funding or operations occur.

Under charity accounting standards, reserves may be classified as:

- **Restricted Funds** – These are grants or income given for a specific purpose. They must be spent in line with funder requirements and cannot be used for general purposes.
- **Unrestricted Funds** – General funds available to the College for any activity that supports its charitable objectives.
- **Designated Funds** – Unrestricted funds earmarked by the Board of Governors for specific future projects or contingencies (e.g. capital investment or digital infrastructure). While designated, these remain under the control of the Board and may be reallocated if priorities change.

Free Reserves are unrestricted funds that are not earmarked for any particular purpose and are available for use. This includes cash (held in instant access or notice accounts) and working capital (i.e. cash and debtors less creditors due within one year), excluding tangible fixed assets.

For the purpose of this policy, "available for use" includes funds held in notice accounts and short-term deposits that can be drawn down to meet liabilities as they fall due.

3. Policy Statement

The College acknowledges that its principal sources of income, namely Department of Education (DFE) and Greater London Authority (GLA) funding, are subject to periodic review and may fluctuate. To mitigate risk, the College will maintain a

prudent level of free reserves to ensure operational continuity and financial resilience.

The minimum level of free reserves will be set to cover at least three months of core operating costs, including payroll and essential non-pay expenditure. This provides the College with a financial buffer to:

- Allow time to respond to unexpected reductions in funding or student numbers.
- Secure alternative funding streams or adjust its delivery model.
- Meet its contractual obligations to staff and suppliers.
- Support students to complete their studies or transition to another provider.

4. Principles for Building and Using Reserves

- The target level of reserves will be built primarily from unrestricted surpluses arising from the College operations.
- Reserves will not be accumulated unnecessarily; they will be used strategically in line with the College's mission and long-term goals.
- Designated reserves may be established by the Board for specific projects (e.g. estates improvement, IT infrastructure), and these will be regularly reviewed to confirm continued relevance.
- Any decision to draw on free or designated reserves must be approved by the Board of Governors and aligned with the College's financial strategy and risk appetite.

5. Monitoring and Governance

- The level of reserves will be monitored as part of the monthly management accounts.
- Forecasting and scenario modelling, including sensitivity analysis, will be used to stress-test the College's financial resilience and inform reserve adequacy.
- The Finance and Resources Committee will receive regular updates on reserves as part of its financial oversight responsibilities.
- The Board of Governors will review the Reserves Policy annually, or earlier in response to significant changes in income streams, economic conditions, or strategic direction.

6. Policy Review and Compliance

This policy will be reviewed annually and updated to reflect changes in:

- The College's operating environment.
- Relevant SORP (FRS 102) updates.
- DfE or GLA funding guidance.
- Sector-wide risk factors or financial planning benchmarks.