



# Reserves Policy

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## **1. Policy Statement**

- 1.1. Academies and Multi Academy Trusts are expected to hold contingency reserves from their annual income.
- 1.2. This policy sets out how the trust will develop and use an effective reserves policy which will mitigate the impact of any risk upon the continuing operations of the trust.

## **2. Reasons for Creating and Spending Cash Reserves**

- 2.1. Reserves will be created to fund future expenditure related to individual school and trust long term development plans. Typical reasons for creating reserves are:
  - to save cash for planned future capital expenditure
  - to fund in year growth in student numbers where payment from the Education and Skills Funding Agency (ESFA) is 'lagged'.
  - to fund other strategic development, quality improvement or change projects.
- 2.2. Approved transfers from reserves will be planned and included in schools and trust annual business plans and budgets.
- 2.3. Approved transfers from reserves may be brought forward into in-year budget re-forecasts. Typically, this will be where there is an unexpected need for capital expenditure or where student recruitment is significantly greater than planned.
- 2.4. The annual budgets for each school and the central trust will be set with a high expectation that income targets will be met within planned expenditure. Other than in very exceptional circumstances, we do not expect cash reserves to be needed or used to cover unplanned deficits in annual school or trust budgets.

## **3. Management of Cash**

- 3.1. Cash flow forecasts will ensure immediate financial commitments can be met (payroll and procurement) and that the current account has adequate balances to meet commitments.
- 3.2. The trust will not allow the current account to go overdrawn.
- 3.3. We will transfer funds surplus to immediate cash requirements to Lloyds High Interest Deposit Account (or similar).
- 3.4. Periodically (at least annually), interest rates will be reviewed and compared with other investment opportunities and alternative secure investments considered.
- 3.5. The trust will only invest funds in risk free and short term (1 to 3 months) accessible deposit accounts.

## **4. Maintaining a Minimum Level of Reserves**

- 4.1. Trustees will monitor levels of reserves in financial reports provided by the Chief Financial Officer and in the annual financial statement prepared by the Auditors. Trustees will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs to ensure high

quality provision. In deciding the level of reserves Trustees will take into account the following:

- one month salary bill
- the Trust's annual budget
- the need for any large project expenditure such as facilities development or building condition needs
- any uncertainty, turbulence or expected reduction in funding arrangements,
- anticipated funding over the next three years.

## **5. Monitoring and Reporting**

5.1. Each year, the Board will report in the financial statements:

- The level or range of reserves considered appropriate
- The level of reserves at year-end

5.2. The Audit, Risk and Finance Committee will monitor each academy's budget against actual expenditure together with the level of reserves and will hold the academy and Local Accountability Board to account where they fall into deficit.

This policy will be reviewed annually.