

Reserves Policy

Reviewed by: Finance & General Purposes Committee

Approved: February 2017

Next Review Date: September 2019

The Finance Director reviews the reserve levels of each Academy annually. This review encompasses the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves.

The Finance Director has determined that the appropriate level of available reserves should be equivalent to 2 weeks' expenditure. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The Academy's current level of available reserves (total funds less the amount held in fixed assets and other restricted funds) is set at a surplus of £400,000 (for secondary and £40,000 for Primary.. The Academy intends to continue building up reserves to ensure capital funds are available. When reserves in the bank regularly exceed £400,000 then the investment strategy below should be implemented.

In essence the strategy is:

1. Regularly monitor Cash Flow and Current a/c balances to ensure immediate financial commitments can be met (payroll and payments runs) and that the current account has adequate balances to meet forthcoming commitments. In practice a working balance of between £200,000 and £300,000 is likely to be maintained in secondary schools and £20 - £30,000 in Primaries.
2. The Academy will not allow its current account to go overdrawn.
3. Identify funds surplus to immediate cash requirements and transfer to Lloyds high Interest Deposit Account.
4. Periodically (at least annually) review interest rates and compare with other investment opportunities and consider alternative secure investments.
5. The Academy's current policy is to only invest funds in risk free and short-term (1 to 3 months) accessible deposit accounts.

Any change in Policy requires the approval of Trustees via the Finance Committee.