



# **Reserves Policy**

**Reviewed by: Finance Committee**

**Approved: 5<sup>th</sup> March 2019**

**Next review date: March 2020**

The Finance Committee 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 Committee has determined that the minimum level of reserves should be equivalent to the basic monthly salary bill and will be reviewed annually.

#### MINIMUM

YEAR	Staff costs (fte basic salary only)	MINIMUM RESERVES
18/19	£20,000,000	£1,600,000
19/20	£20,800,000	£1,733,333
20/21	£21,400,000	£1,780,000

#### TARGET

YEAR	Projected expenditure	INTENDED RESERVES
18/19	£27,375,000	£ 3.285,000
19/20	£28,700,000	£ 3,200,000
20/21	£30,130,000	£ 3.100,000

To be reviewed annually in line with three year budget forecast

Realising the complexity and uncertainty of academy funding the Trust intend to maintain reserves of up to 12% of annual expenditure year on year. This is considered vital whilst there is uncertainty about levels of funding for pay rises, pensions, special educational needs and capital maintenance. The second 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 £1,500,000. The Academy intends to continue building up reserves to ensure long term financial security. When reserves in any single school's 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 £300,000 and £400,000 is likely to be maintained in secondary schools and £23 - £40,000 in Primaries.
2. The Academy will not allow its current accounts 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 (3 to 12 months) accessible deposit accounts.

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