



# Reserves Policy

Approved: April 2023

Review Date: April 2024

# Reserves Policy

## Introduction

1. There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to Oak Learning Trust in relation to financial planning and monitoring.
2. One of the ways in which the Trust mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.
3. Setting a reserves policy helps inform the way in which the Trust manages its cash, liquid assets and debt.
4. The board is responsible for all reserves and these are held centrally and used for the benefit of all schools within the trust. Reserves are identified by school within the trust and individual schools can access up to 10% of their GAG value from their own reserves without recourse to approval to the board (subject to trust spending authorities)
5. The trust maintains a robust level of reserves to allow for business continuity in the event of a disaster or significant unforeseen circumstances. They also utilise reserves to improve all trust premises, facilities and resources including making reasonable contributions to CIF projects, to support medium term human resource needs to allow for school improvement and to build the central trust services.

## Level of Reserves

6. The financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risk to the Academy Trust is that of managing its short-term cash flow effectively. To mitigate this risk, it has been agreed that an appropriate minimum reserves balance would equate to 4 weeks' worth of expenditure, both in terms of salaries and invoices. In broad terms this would equate to approximately £850,000.

This level of reserves balance will be held in the current account to cover day to day expenditure. Reserves above this level will be managed in line with the Trust's investment policy.

## Individual schools

## Restrictions

7. The ESFA are able to set limits on the sum of GAG that can be carried forward from one year to the next. There are currently no limits in place.
8. The DfE does expect Academy Trusts to use their allocated funding for the full benefit of their current pupils. Therefore, the Academy Trust will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit pupils.

## **Review of Policy**

9. The Reserves Policy will be reviewed by the Finance, Estates, Audit and Personnel Committee on an annual basis.