



JAMES COOK LEARNING TRUST

RESERVES POLICY

Policy Reviewed and Adopted by **Board of Trustees:**

Version:

Date of Next Review:

Responsible Officer:

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 James Cook Learning Trust Academy 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.

LEVEL OF RESERVES

4. The main financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. These risks can be categorized in two main areas: -
 - **Cash-Flow** – the need for working capital in case there was a delay in receiving major income streams such as monthly instalments of GAG funding
 - **Financial Risk Management** – a level of contingency funds required to mitigate risks including, but not limited to, reduced income from lower pupil numbers, increase in expenditure from special projects and capital investment needs that cannot be funded from other sources
5. 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 £411,000

RESTRICTIONS

6. The EFA are able 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 1st September 2018

7. 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 our pupils.

REVIEW OF POLICY

8. The Reserves Policy will be reviewed by the **James Cook Learning Trust** Committee on an annual basis.

Copyright Avec Partnership 2017