E Glandibus Quercus

IDSALL SCHOOL

Reserves and Investments Policy

Introduction

The purpose of the Reserves and Investments Policy is to set out the processes by which Academy trustees will meet their duties under the Academy's Articles of Association and Academies Financial Handbook issued by the EFA to invest monies surplus to operational requirements in furtherance of the Academy's charitable aims and to ensure that investment risk is properly and prudently managed.

There are a number of constraints placed upon schools in terms of financial management. One of these constraints is the inability to borrow funds. It is therefore the aim of the Governors of the school to show a level of prudence and good financial planning to cover the unexpected and unplanned so that the School's primary objective is preserved under unforeseen circumstances.

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the School and the purposes for which they will be used and maintained.

Risk Assessment

The risk for Idsall School can be summarised as a risk to future income due to Government funding changes, falling pupil numbers on roll or delays in receipt of grant funding.

The financial risk and uncertainties facing the School have increased as the Government and EFA continue the transition to the new national funding formula. The level at which the Government will guarantee future funding in the form of the minimum funding guarantee (MFG) remains unclear for future years. Therefore it is prudent to mitigate the risk of a significant drop in funding by maintaining sufficient level of reserves to cover such variations to funding whilst also enabling the School to maintain the top quality education it prides itself on delivering.

Other risk factors to take into consideration are:

- Extreme emergencies such as urgent maintenance issues.
- Early teacher retirement due to ill health and the pension liabilities involved.
- Possible redundancies due to drop in income and falling pupil numbers.
- Estimates of the level and timing of capital receipts.
- Treatment of demand-led pressures.
- The School's capacity to manage in year budget pressures.
- The adequacy of insurance arrangements.
- An assessment of external risks.
- Assumptions regarding inflation.
- The impact of major unforeseen events.

Definitions

Reserves are sums of money held by the School to meet future expenditure. There are two principal types of reserves:

Uncommitted Reserves which are kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed. The School's Governors request as a minimum £150,000 or sufficient funds to cover one month's salary commitments whichever is the greater.

Committed Reserves which are held for specific purposes.

Details of all reserves and year-end balances are contained in the School's annual Statement of Accounts.

Uncommitted Reserves

The School will maintain an adequate level of uncommitted reserves to:

- Provide a working balance to cushion the impact of uneven cash flows and avoid unnecessary short term borrowing.
- Provide a contingency to cushion the impact of unexpected events, emergencies and large shortfalls in budgets.
- Plan for potential major items of expenditure.
- Cover one month's net salary for contracted staff.

The appropriate level of reserves for this purpose will be determined by the School's Finance Committee during budget setting, this will be reviewed annually and will be subject to approval by the Finance Committee and Full Governing Body. However, the School will not maintain levels of uncommitted reserves that are excessive compared with total income levels. In this context, "excessive" will be assessed and reviewed annually by the Finance Committee and guidance from the schools Auditors.

The uncommitted reserve balance will be reviewed and projections on future balances will be made at key points during the financial year, namely as part of the budget setting process. Idsall Governors recognise the importance of a three year budget plan but consider that currently with significant fluctuations to funding levels and consistent numbers on roll the effectiveness of this is limited but will review this decision annually.

Any movement in the uncommitted reserves to a particular budget must be agreed by the Finance Committee.

Committed Reserves

Committed reserves are not available to the School for use in its budget setting process. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. These reserves should have no specific limit set on them but they should be reasonable for the purpose held and it must be agreed that they are used for the item for which they have been set aside and transferred to the uncommitted reserve if it is found they are not required. In order to establish that they are fit for purpose, there will be a review of balances at least annually.

Investment Policy

The School aims to manage its cash balances to provide for day to day financial management. Where surplus cash funds exist the school seeks to optimise returns at a minimal risk. Surplus funds are defined as funds in excess of those deemed to be needed to meet the day to day cash flow requirements for the financial management of the school taking into account the agreed minimum reserves level. The Business Manager will consider whether the investing of a surplus for a maximum of 6 months in interest bearing accounts within the High Street Banks or Building Societies is viable. Any investment exceeding 6 months or within a riskier vehicle will require the approval in advance from the Governers Finance Committee.

Review

This policy will be reviewed annually.