CITY OF LONDON
ACADEMIES TRUST

RESERVES POLICY

Responsibility:	Chief Financial Officer
Approved by Board:	09 July 2020 Reviewed 08 July 2021 Reviewed 08 September 2022

Background

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust and each individual academy from financial risk generated by, for example;

- income reduction due to Government funding changes
- unexpected falls in pupil/student numbers
- cash flow issues due to delays in receipt of funding
- emergencies

In general it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events. At the same time, the Trust wishes to ensure that funding is used actively to benefit the pupils/students in each of the academies and so use available reserves to enhance educational provision.

Reserves of the whole multi-academy trust

Each year the Trustees will review the reserve levels of each Academy and the Trust as a whole during the reporting period and in the annual audited financial statements to ensure that a prudent level of reserves is maintained. This review will encompass the nature of income and expenditure streams, the need to match income with commitments, and the nature of reserves and will take in to account:

- two month's salary bill
- each Academy's annual budget
- the need for any large project spend such as facilities development or building condition needs
- any uncertainty, turbulence or expected reduction in funding arrangements
- anticipated funding over the next three years.

The Trustees have determined that the appropriate level of desired free reserves for the whole Trust should be equivalent to two month's operational expenditure (excluding the fixed assets fund) where possible, with the Trust aiming for a minimum required level equivalent to one month's operational expenditure. The reason for this is to provide sufficient working capital to cover delays between spending and receipt of grants.

Reserves of each individual academy

Each year the Local Governing Body in each Academy will review the reserve levels of the Academy during the reporting period to ensure that a prudent level of reserves is maintained. This review will encompass the nature of income and expenditure streams, the need to match income with commitments and the nature of reserves and will take in to account:

- two month's salary bill
- the Academy's annual budget
- the need for any large project spend such as facilities development or building condition needs
- any uncertainty, turbulence or expected reduction in funding arrangements

- anticipated funding over the next three years.

The Trustees have determined that the appropriate level of desired free reserves for each individual academy should be equivalent to two month's operational expenditure (excluding the fixed assets fund) where possible, with each academy aiming for a minimum required level equivalent to one month's operational expenditure as described above.

Use of reserves

Each academy will retain its own surplus or deficit generated each financial year and the allocation and use of reserves held by each academy will be for its local governing body to determine, subject to:

- The requirements of the Trust's Finance Policy and Procurement and Tendering Policy;
- Exceptional needs of other academies within the Trust;
- The Trust Scheme of Delegation; and
- Approval of the whole Trust budget and Trust annual audited financial statements by the Board of Trustees.

Exceptional needs of other academies within the Trust

In exceptional circumstances the Trustees may approve the transfer of reserves and/or cash balances from one academy to another to meet operational or capital requirements. Any transfer will be subject to the submission of a full business case to the Board of Trustees for formal approval to include:

- Value of reserves and/or cash to be transferred to another academy
- Details of why a transfer is required and why the issues were not reasonably anticipated and managed by the academy in need
- If the transfer is to support an academy in deficit; a deficit recovery plan illustrating how the academy will re-establish a surplus position, with a timescale, and how the reserves/cash will be repaid to the donor academy
- Confirmation that the transfer will not create operational difficulties for the donor academy.