
THE 1590 TRUST

RESERVES POLICY

Updated: January 2020

Origin: Director of Finance & Operations

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 the 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 assessment of the strategic risks facing the Trust should inform the level of proposed reserves.

Key drivers to determine the level of Reserves

The main operational financial risk to the Trust is that of managing its short-term cash flow effectively. To ensure the Trust can meet its basic cash flow requirements, the balance would equate to one month's statutory payments (HMRC and payroll) or approximately £675,000.

The main long term financial risk to the individual schools in the Trust, is the level of national funding compared to the costs of operating the school. A financial cushion would be required to manage any fluctuations in intake and funding.

Securing additional funding for capital works, through a bid to Condition Improvement Fund is now likely to require a contribution from the school. The annual capital allocations are insufficient for primary schools to achieve this

Policy

Each individual school within the Trust will set a level of reserves which align with its identified and costed risks, as part of setting its annual budget and three year financial plan. This will take into account the need to fund future capital schemes. This will be done and signed off by the Trust by July 2019.

The Trust itself will hold a central reserve, funded by the balance of conversion grants from those schools in or joining the Trust. This will be a fund of last resort for individual schools and will support the development of the Trust's corporate services.

Restrictions

1. 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.
2. The ESFA does expect Academies to use their allocated funding for the full benefit of their current pupils. Therefore the Academy will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit our pupils/students.

3. Each school is expected to maintain its own financial health and live within the income it receives from the Government and generates through its own activities.
4. The use of reserves is subject to approval by the Trust's Finance Committee.

Review of Policy

The reserves policy will be reviewed by this Committee on an annual basis.

How will it be monitored:

As part of the budget cycle

By whom:

Director of Finance & Operations
 Chief Executive Officer
 Trust Finance and Audit Committee

Review Date:

Annually, January

Review Assigned to:

Director of Finance & Operations
 Trust Finance and Audit Committee