



## 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 the Learning Academies Trust in relation to financial planning and monitoring.
2. One of the ways in which the Learning Academies 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 Learning Academies Trust manages its cash, liquid assets and debt.

### LEVEL OF RESERVES

4. The main financial risk to the Learning Academies 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 1.5 -2 months worth of expenditure, both in terms of salaries and invoices and designating funds for projects such as central office expansion or internal staff absence funds held. In broad terms, this would currently equate to approximately **£1,750,000.00**

### RESTRICTIONS

5. 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.
6. The DfE does expect Academy Trusts to use their allocated funding for the full benefit of their current pupils. Therefore, the Learning Academies 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

7. The reserves policy will be reviewed by the Finance & Personnel Committee on an annual basis.

Policy adopted by <b>Learning Academies Trust</b> Finance Committee	
Date Of Meeting	7 <sup>th</sup> July 2020
Signature of Finance Trustee of LAT	Jonathan Bushby
Review Cycle	Annually
Date of Next Review	July 2021