



RESERVES POLICY

**This policy applies to all the academies in
Lionheart Academies Trust**

Adopted by Lionheart Academies Trust Board: 2014

Signed: Chair of Board:

Date: 2014

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 Lionheart Academies Trust ('LAT') and the academies within the trust in relation to financial planning and monitoring.
2. One of the ways in which the LAT and academies mitigate 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 college manages its cash, liquid assets and debt.

LEVEL OF RESERVES

4. The main financial risk to the academies and LAT is that of managing its short-term cash flow effectively. To mitigate this risk it has been agreed that an appropriate 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 2.5%.

RESTRICTIONS

5. Under the grant conditions set out by the Education Funding Agency (EFA), at the beginning of any year the academies can only hold unspent General Annual Grant (GAG) from previous years amounting to 12% of the total GAG for the year just ended.
6. Furthermore the following restrictions apply in relation to the use of carried forward GAG:
 - Up to 2% of GAG can be used for any of the purposes for which GAG is paid, and/or for capital purposes;

Any balance in excess of 2% of GAG can only be used for capital purposes (this includes the upkeep and improvement of premises, including the cost of equipment and routine repairs and maintenance).