Ibstock Community College

Respect and Pride brings Success

Ibstock Community College Investment Reserves Policy

June 2021
Review Date: June 2022

Approved by governors: Lee Donaghy (Chair of Governors)

Signed: .....

Dated: .....

Background:

It is necessary for academies to consider the level of reserves required which will help to protect the provision of its core activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements.

Academies only have one or two major sources of income which are not guaranteed. The general annual grant is derived from student numbers which can go up or down, and central government income streams are subject to compulsory changes. It is crucial therefore, to ensure sufficient resources are available to meet the academy's obligations to students, staff, stakeholders and all college users.

Purpose:

The purpose of developing an effective reserves policy is to try and minimise the impact of any potential risks relating to the continuation of the operations of the college. It is also to provide a framework for future strategic planning and decision-making.

Contingency reserves can be held from Academy's General Annual Grant (GAG) funding or other income that the college generates and used to fund future expenditure related to the Academy's Development Plan and/or strategic long-term aims and developments and to cushion against unforeseen events.

The governing body as Trustees, are responsible for managing and administering the assets of the academy which include funds and investments. They have a duty to balance the needs of current and future beneficiaries of the academy trust.

This document governs the reserves and investment strategy of the college.

Procedures:

When considering an appropriate level of reserves, the governing body should consider:

- The risk of unforeseen emergency or other unexpected needs for funds.
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term absence or breakdown of the heating system.
- A fall in a source of income, such external services, such as hiring of facilities
- Planned commitments that cannot be met by future income alone, for example plans for a major capital project.
- The need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received.

The financial risks identified determine the amount of reserves that the college should consider to hold. This is subject to a constraint that the level of resources does not exceed the level permitted by the EFA. Details relevant to a particular financial year can be found in the Academies financial handbook.

The Governing body should agree the value of reserves to be created in any one year as part of the budget approval process. In preparing the annual budget forecasts, the business manager should

seek to ensure that the reserves are maintained in line with this agreement.
Regular cash flows are to be prepared again by the business manager to monitor that there are adequate funds to meet all obligations. Raising any concerns in a timely manner with the principal as the accounting officer, and directly with the governors via the business management and audit committee.

Where the cash flow identifies a level of cash funds that will be surplus to requirements, an appropriate range of options will be considered. These options will include releasing the funds into the revenue budget in support of the college's objectives, assigning funds to an appropriate designated activity, or investing to generate further income for the future.

Target range of reserves for financial year 2021-22
The governing body have decided to set the reserves figure at:

- At least one month's payroll, currently standing at £260k. This is should minimise a potential cash flow risk in the event of a delay in the receipt of the monthly payment from the ESFA.

Investments:
Whilst ensuring the academy manages its cash balances to provide for the day-to-day working capital requirements and longer term priorities, it also needs to protect the real value of any surplus cash funds.

Investments must be made in accordance with agreement of the governing body and all accounts may only be opened in the name of Ibstock Community College. The documentation must be signed in accordance with the bank signatory instructions, i.e. two of the signatories specified, one of which must be the principal or chair of governors.

Funds will only be invested in low risk, UK interest bearing accounts such as treasury deposits and savings accounts where it is considered that there is no risk of loss in the capital value. All investments should try and protect the capital against inflation and optimise any return. If a situation was to arise that large sums of money were available for investment, independent financial advice would be sought from a regulated professional. The college must not invest cash deposits on the stock market.

On maturity, if the funds are to be re-invested, the business manager will review investment opportunities available at that time that comply with the parameters of this policy and the level of reserves set. Consideration must be given to the current cash flow position and any changes to commitments or priorities since the original investment was made.

Funds that are already deposited with Lloyds Bank fixed term deposits (Treasury Deposits) the maturity process will be managed by the business manager directly with the bank's relationship manager. Options available are either for the funds to be credited back into the college's bank account or rolled over for a further period under same criteria. The Resources Committee agreed (June 2014) to delegate the authority to make investments in Lloyd's limited fixed term deposits if they become available, and as advised by Lloyds Relationship Manager, to the business manager and one other signatory during the holiday periods.

Updates on investments will be reported to governors within the documentation presented to the Business management and audit committee and will include recommendations for potential investments when appropriate.

Pension Reserves:
The college calculates its reserves without setting aside a designated reserve to cover the pension liability. The presence of the local government pension deficit on the balance sheet

does not constitute an immediate liability and therefore resulting in the funds not being available to the college. However any changes to pension contributions will generally result in a cash flow effect over a period of years. The college is confident that it can meet the current pension contributions from projected income without significantly impacting upon its planned level of activities. However, this situation will subject to on-going review.

Relevant Legislation:

Management of charitable funds and investments will comply with the requirements of the:

- Charities Act 2011
- Trustee Act 2000
- Financial Services and Markets Act (FSMA) 2000
- Charity Commission
- DFE funding agreement and handbook

Monitor and Review:

This policy will be monitored regularly for any changes in legislation or direction from the DFE which may have an effect, and evaluated in light of any comments made by the ESFA, auditors and any other interested party.

A review will be carried out annually by the business management and audit committee when reviewing the level of reserves to be set for the forthcoming academic and financial year and when approving the budget.