



Reserves Policy

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Oak Learning Trust 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 Oak Learning 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.

Level of Reserves

4. The financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risk to the Academy 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 4 weeks' worth of expenditure, both in terms of salaries and invoices. In broad terms this would equate to approximately £220K.

Restrictions

5. The EFA 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 18th April 2017.
6. The DfE does expect Academy Trusts to use their allocated funding for the full benefit of their current pupils. Therefore, the Academy 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 Committee on an annual basis.