Elmlea Schools' Trust

Investment, Reserves and Depreciation Policy

Financial Year 2022-2023

Ending 31 August 2023

Document History Record of recent Policy changes

Date	Version	Author/Owner	Change	Origin of Change e.g. TU request, change in legislation
31 May 2017	1.0	Clare Sanders	Annual review. Change Directors to Trustees (to reflect terminology used in Trustees Annual Report and Accounts. Depreciation information	Annual Review
4 July 2017	1.1	Clare Sanders	Changes to section on reserve levels as discussed at the Governors' Finance Committee meeting.	Approved by the Governors' Finance Committee 4 July 2017
27 June 2018	1.1	Clare Sanders	No Changes	Approved by Governors Operations Committee 27 June 2018
12 October 2019	1.2	Clare Sanders	Elmlea Junior School Policy updated to serve as a policy for Elmlea Schools Trust	Reason for change : Elmlea Junior School conversion to a Multi Academy Trust (July 2019)
10 November 2020	1.3	Andrea Bizley	Updated to reflect revised reserve	
27th October 2021	1.4	Andrea Bizley	Updated to reflect a change in depreciation policy and reserves	Approved by Trustees at A&R and in following guidance from Bishop Fleming
8th November 2022	1.5	Andrea Bizley	No Changes	

Trustees 'Committee	Audit and Risk
Policy Adopted	November 2022
Review cycle	Annual
Review date	Autumn Term 2023

INVESTMENT POLICY

1. Introduction

The Trust aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Trust aims to invest surplus cash funds to optimise returns whilst ensuring the investment instruments are such that there is minimal risk of loss of these cash funds.

2. Purposes

2.1 To ensure adequate cash balances are maintained in the current account to cover day to-day working capital.
2.2 To ensure there is minimal risk of loss in the capital value of any cash funds invested.
2.3 To protect the capital value of any invested funds against inflation.
2.4 To optimise returns on invested funds.

3. Guidelines

Cash flow statements are prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding supply creditors that are due for payment.

Where the cash flow identifies a base level of cash funds that will be surplus to requirements, these funds may be invested subject to approval from the Governors' Operations Committee.

The Trust's Audit & Risk Committee will seek assurance that the process outlined in 2.1 has been carried out before agreeing to any investment and will seek advice from a financial expert where necessary to ensure its suitability.

Periodically the Director of Finance and Operations will review the interest rates being achieved by any investment and will compare them with other investment opportunities that comply with the parameters of this policy.

RESERVES POLICY

1. Introduction

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk generated by, for example:

- income reduction due to Government funding changes;
- unexpected falls in pupil numbers;
- cash flow issues due to delays in receipt of funding; and emergencies.

2. General Principles

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time, the trust wishes to ensure that it uses its funding to benefit the pupils in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

Trustees will monitor levels of reserves through the Operations Committee and through the annual financial statements prepared by the Trust and signed off by the auditors. Trustees will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs to ensure high quality provision. In deciding the level of reserves, Trustees will take into account the following:

- three months' operating costs
- the annual budget;
- the need for any large capital project spend such as premises development or building condition needs;
- any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional protection within the academies' funding and its expiry date; and
- anticipated funding over the next three years.

The Audit & Risk committee will agree the amount to be maintained as reserves on an annual basis and will report back to the Board of Trustees annually, the agreed level reserves and the adherence to the reserves policy.

3. School Reserves

It is the Trust's responsibility to maintain appropriate levels of reserves to cover the following:

- Reasonably foreseeable repairs and maintenance (e.g. boiler breakdown, roof repairs).
- Reasonably foreseeable funding demands e.g. projected reduction in GAG, falling numbers on roll, severance costs and unbudgeted extras, e.g. additional staffing and resources for pupils with additional needs.
- Capital projects and improvements.
- Trust schools will ensure that there are sufficient reserves by:
    - Undertaking prudent budget setting including a 3- year budget which should anticipate funding changes, reasonably foreseeable repairs and severance costs.
    - Regularly reviewing its reserves taking into account the general condition of the building and likely demands on funding.
    - Regularly reviewing the Capital Development Plan and capital expenditure to ensure that adequate reserves are put aside for long term projects.
    - Building an appropriate level of contingency into in-year budgets.
    - Retaining an emergency fund to support the cash flow in the event of a major and unforeseeable disaster, e.g. fire, flood, etc., which compromises all or part of the school buildings. This is funded by a contingency and based on the assumption that insurance arrangements will cover a large percentage of any costs.

4. Levels of Reserves

Trust contingencies and Reserves Levels

- As a general principle, the schools within the trust should allocate their total annual income for the benefit of the pupils on roll and set an in year balanced budget.
- The Trust and schools within it should maintain reserves to cover reasonably foreseeable eventualities and/or capital expenditure. These reserves should be approximately £250k unless there are exceptional circumstances, e.g. saving for a large capital project or retaining funds for anticipated drop in income etc.

5. Monitoring and Review

This policy will be reviewed by the Board of Trustees Audit and Risk Committee every year, following legislative or procedural change (including changes to ESFA guidance), or following any event that demands action.

DEPRECIATION POLICY

Depreciation is provided on a straight- line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2% - 50 years
Long leasehold property	2% - 50 years
Plant and machinery	15% - 6.6 years
Furniture and equipment	10-15% - 6.6 to 10 years
Computer equipment and software	25% - 4 years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

Tangible fixed assets

Tangible fixed assets acquired since the Trust was established are included in the accounts at cost.

Where tangible fixed assets have been acquired with the aid of specific grants, either from the Government or from the private sector, they are included in the balance sheet at cost and depreciated over their expected useful economic life. The related grants are credited to a restricted fixed asset fund (in the statement of financial activities and carried forward in the balance sheet). The depreciation on such assets is charged in the statement of financial activities over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Assets costing less than £1000 are written off in the year of acquisition. All other assets are capitalised.