



# **Lincoln Christ's Hospital School**

## **Investment and Reserves Policy**

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**Review Date:** May 2017

## **AIMS**

The aim of this policy is to ensure that funds/reserves which Lincoln Christ's Hospital does not immediately need in order to cover anticipated expenditure are invested in such a way as to maximise the academy's income but without any risk.

Lincoln Christ's Hospital School should aim to spend public monies which are entrusted for the direct education benefit of students as soon as it is prudent. The academy does not consider the investment of surplus funds/reserves as a primary activity, rather it is the result of good stewardship as and when circumstances allow.

## **RESERVES**

A summary of the reserve policy is set out below:

Deciding the level of reserves that a school needs to hold is an important part of financial management and forward financial planning. Reserves levels which are higher than necessary might tie up money unnecessarily. However, if reserves are too low then the school's financial position and future activities might be put at risk.

- Governors should be able to justify the holding of income as reserves.
- Reserves are part of the school's unrestricted income that is freely available to spend.
- Where Governors have a reserves policy, this should be stated in the annual Governors report.
- A good reserves policy takes into account the academy's financial circumstances and other relevant factors.
- It is good practice to monitor the level of reserves held throughout the year.

When considering an appropriate level of reserves, the Governors/school must consider:

- The risk of unforeseen emergency or other unexpected need for funds.
- Covering unforeseen day-to-day operational costs, for example employing temporary staff to cover long term sick absence.
- A fall in source of income, such as pupil numbers.
- Planned commitments that cannot be met by future income alone, for example plans for a capital project.
- The need to fund potential deficits in a cash budget, for example money might need to be spent before a funding grant is received.

Annual end of year reports and internal reports to Governors should include:

- The amount of reserves held.
- The amount of reserves held and incorporated into the long term financial plan.
- How often the reserves policy is reviewed.

Reserves can be broken down into the following areas:

- Unrestricted income – funds that can be used towards any purpose at the discretion of the school/Governors.
- Restricted Income – funds that are applied to specific purposes imposed by the Education Funding Agency.
- Restricted general funds comprise all other restricted funds received and include grants from the Education Funding Agency.

## **INVESTMENTS**

Lincoln Christ's Hospital School will construct budgets and cash flow forecasts as are required by legislation to ensure the viability and sustainability of the activities of the academy.

From time to time, operational and strategic decisions related to the education of students at the academy will result in substantial cash balances at the bank over a sustained period.

These periods are identified by the Principal Finance Officer as part of the normal forecasting activity and when identified will result in the academy making an investment in accordance with guidance within the Academies Financial Handbook and following approval of the Finance Committee.

Prior to investing funds the Headteacher and Governors must satisfy themselves that the cash flow predictions provided by the Principal Finance Officer are accurate and that the amount/time of the investment will not compromise the viability and sustainability of the activities of Lincoln Christ's Hospital School.

In making decisions regarding where and how any surplus funds should be invested, due regard will be given to the "risk that the return on investments is not being maximised" and "risk that trustees are not acting in accordance with their Investment Policy", in other words investing in high risk investments which are not in the best interests of Lincoln Christ's Hospital School.

The principles which the Governing body will adopt are as follows:

- Where practicable the reserve is invested in tranches of up to a maximum of £300,000.
- The Headteacher and Principal Finance Officer are authorised to invest up to £300,000 in deposits of Lloyds TSB. These investments must be notified to the governors and Headteacher at the time of the investment in writing.
- Investments in other institutions can only be made with the approval the Finance Committee.
- Maximum period of investment one year unless approved by the Finance Committee when it can be up to three years.

## **BANKS**

If a bank or building society authorised by the Financial Services Authority (FSA) is unable to pay back deposits held with it, the Financial Services Compensation Scheme (FSCS) can pay back 100% of the depositors claim, as per authorised institution.