



WADEBRIDGE SCHOOL

RESERVES AND INVESTMENT POLICY

APPROVED BY GOVERNORS: (Revised August 2015 – Approved December 2015, further revised January 2016)

Signed:
(Chair of Resources Committee)

Signed:
(Chair of Governors)

Signed:
(Headteacher)

Investment Policy

Principles

The school 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 school aims to invest surplus cash funds to optimise returns, but ensuring the investment instruments are such that there is no tangible risk to the loss of these cash funds.

Given the present ongoing austerity measures and the short term planning and notifying to schools by the EFA of budget allocations reserves are essential to manage the uncertainty that presently exists in forward planning.

Purposes

- To ensure adequate cash balances are maintained in the current account to cover day to-day working capital requirements
- To ensure there is no tangible risk of loss in the capital value of any cash funds invested
- To protect the capital value of any invested funds against inflation
- To optimise returns on invested funds

To help manage the medium to long term financial position of the school given the uncertainty over future funding levels.

Guidelines

Regular cash flows are to be 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 may be invested only in the following:

- Interest bearing deposit accounts with any major UK regulated bank e.g.:
 - RBS (and subsidiaries)
 - Barclays
 - Lloyds TSB
 - HSBC
 - Treasury deposits, with maturity dates which do not result in the cash funds being unavailable for longer than 8 weeks
 - Local authority investments where returns are more favourable than the banking sector

Periodically the Business Manager - Finance will review the interest rates being achieved and will compare with other investment opportunities that comply with the parameters of this policy.

Independent Financial Advice

The Business Manager shall seek independent financial advice for any fixed term investment for a period longer than six months observing any guidance in the Academies Financial Handbook. In addition these investments shall be restricted to ones that guaranteed return of capital rather than any equity based investment. The Resources Committee shall approve any such investment.

Planned Level of Reserves

The ideal level of reserves is considered to be between 5% and 7% of income which is approximately £300k to £400k. This is considered a suitable level to allow for:-

- Any unplanned unexpected financial pressure that may arise during the year.
- Any cash flow issues to fund large scale capital projects that may transcend financial years.

The level of restricted and unrestricted reserves currently sit above this level but have been earmarked by Governors to support spending on the delivery of teaching and learning as steps are taken to close the current gap between income and expenditure in a planned, gradual manner rather than in a manner that may have an immediate adverse effect on teaching and learning the management of the site, buildings and other educational resources. The general principle is that in support of teaching and learning restricted reserves will be spent before any unrestricted reserves. This strategy has been adopted for a number of reasons:-

- Uncertainty over future funding levels – there are many mixed messages over future funding levels of schools:-
 - Fair funding is reported to address the underfunding in areas such as Cornwall and is expected to lead to a levelling up of funding but the level of which is uncertain.
 - Schools' are to be protected on a per pupil cash basis yet ESG is to be phased out at a total eventual cost of around £1,000 a pupil.
 - Employer's NI contributions are set to rise by around the equivalent of £1,000 a pupil.
- Strategically Cornwall Council is looking to increase school places in Wadebridge which in turn would attract an increase in funding. The precise numbers are yet to be agreed and timescales over which the increases will take place are vague making planning difficult. Head line figures could result in another form of entry. With any increase in funding from a increase in student numbers will come an increase in expenditure.

All this uncertainty leaves Governors in a difficult position. If action is taken to reduce costs (likely to involve staffing) which in turn will result in severance costs then the impact on standards is likely to fall. If subsequent decisions on funding mean such reductions are not required then Governors could be criticised for acting prematurely hence the current policy is to use reserves to support the current budget position whilst continuing to identify efficiencies to close the gap between income and expenditure.

In the absence of more long term certainty the strategy is to:-

- Use reserves on a year by year basis to support the school budget recognizing that this has a fixed timeline until the reserves are down to the level considered the minimum acceptable to Governors.
- To continue to look for efficiencies in the ongoing running costs of the school, bidding for capital grants to use for invest to save schemes such as replacing inefficient, tired, leaking roofs with more efficient, low maintenance more insulated alternatives.

- Any additional staffing needs are, wherever possible, met on a fixed term appointment basis to avoid any unnecessary severance costs.
- A change in curriculum delivery from a two year option course to a three year option course is anticipated to yield efficiencies but will take time to transition.
- Continuous promotion and development of the 6th form option to improve take-up and therefore income recognizing there is an optimum size beyond which students numbers become uneconomical due to the need to have more classes which increase costs.

The projected level of reserves is included in each monitoring report to enable SLT and Governors so that they can continually review the strategy they have adopted. The reserves policy will formally be reviewed and updated as appropriate each year at budget setting time (July).