



Reserves and Investment Policy

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Mater-Christi.com

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Introduction

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 the Trust in relation to financial planning and monitoring.

The Trust has established this reserves policy to protect its activities by providing financial buffers against an unpredictable environment caused by funding uncertainty, to make sufficient provision for future cash flow requirements, and to cover planned investment in capital projects and educational initiatives.

The Trust also has established an investment policy to ensure that a balance between maximising the returns on reserves and the risk level of its investments.

Scope of Policy

The policy applies to the Trust as a whole and to all individual schools within the Trust, and covers restricted and unrestricted reserves excluding the pension reserve and fixed asset funds. Investments include cash held in trust bank accounts, longer term deposits and other investment products.

Level of Reserves

Directors target a minimum level of reserves and in total across the Trust this equates to the sum equivalent to a month's staffing expenditure. In broad terms, this equates to approximately £1,000,000.

These reserves are held to cover:

- cashflow and contingency requirements;
- planned or anticipated future commitments to capital projects;
- financial commitments made but not yet entered into; and
- planned investment in educational initiatives.

The DfE does expect that trusts should use their allocated GAG funding for the full benefit of their current pupils, with the Academy Trust Handbook stating that the ESFA will report to DfE any trusts where it has serious concerns about a long-term substantial surplus with no clear plans for its use. Therefore, the Trust will ensure clear plans are in place for the use of reserves, that these plans support the financial sustainability of the Trust, and that these are closely and regularly monitored on a termly basis.

Investments

In accordance with the Academy Trust Handbook the trust follows guidance for investments as follows:

2.25 The board of trustees may invest to further the trust's charitable aims, but **must** ensure investment risk is properly managed. When considering an investment the board **must**:

- act within its powers to invest as described in its articles
- have an investment policy to manage and track its financial exposure, and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- ensure investment decisions are in the trust's best interests
- review the trust's investments and investment policy regularly.

2.26 The board should follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. ESFA's approval **must** be obtained for novel, contentious and/or repercussive investments.

Use and Approval Process

Directors will monitor and manage all of the Trust's reserves for the benefit of the Trust and its constituent schools.

Individual schools can apply to use reserves and each instance will be reviewed on a case by case basis, considering the needs of those individual schools and the best interests and financial sustainability of the Trust as a whole. Expenditure of reserves can only be undertaken when agreed by the Trust and will take into account:

- the overall reserves of the Trust;
- the operational risks faced by the Trust; and
- the priority for school investment and maintenance plans across the Trust.

Schools in Deficit

In exceptional circumstances, individual schools may propose a deficit in-year budget. Such a budget must be accompanied by a recovery plan approved by the Finance Committee, resulting in the deficit being 'repaid' within a timeframe deemed acceptable by the Committee.

Policy Review

This policy and the level and use of reserves will be reviewed on an annual basis by the Finance Committee to ensure the Trust is not setting aside too much or too little.

Related Policies

This policy should be read in conjunction with the following Trust policies and procedures:

- Finance Policy and Procedures
- Risk Management Strategy

Other Reference Sources

Further guidance can be found:

- [Academy Trust Handbook](#)
- [How to set a reserves policy for your charity](#)