



St Margaret's Academy

Reserves and Investment Policy

Please note: this policy should be adapted where necessary to ensure it reflects your academy trust's model, articles of association and funding agreement.

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Statement of intent

St Margaret's Academy has developed this policy to protect its operations by creating financial support against an unpredictable environment and to ensure there is sufficient provision for future procurement and cash flow requirements. This policy also aids the framework for future strategic planning and decision-making.

The policy and the establishment of financial ranges are based on an annual risk assessment of internal and external operations, as well the kinds of activities the trust undertakes. The risk to the trust can be summarised as a risk to future funding due to falling pupil rolls, reforms to funding, emergencies, and early teacher retirement or redundancies.

1. Legal framework

This policy has due regard to all relevant legislation and statutory guidance including, but not limited to, the following:

- ESFA (2021) 'Academy trust handbook 2024'
- Charity Commission (2016) 'Charity reserves: building resilience'
- Charity Commission (2016) 'Charities and investment matters: a guide for trustees'

This policy operates in conjunction with the following school policies and documents:

- Articles of Association
- Funding Agreement
- Finance Policy
- Conflicts of Interest Policy

2. Roles and responsibilities

The board of trustees is responsible for:

- Ensuring the trust's reserves are maintained and used only as described in this policy.
- Identifying when reserves need to be drawn on, so that they understand the reasons for this and can identify any corrective actions that need to be taken.
- Identifying any broader, long-term financial problems that mean the reserves are frequently used or are below the minimum level.
- Acquiring approval from the ESFA for novel, contentious and/or repercussive investments.
- Authorising the transfer of investment funds to an interest-bearing deposit account.
- Ensure value for money when deciding to invest funds.
- Ensuring that exposure to investment products is tightly controlled so that the security of funds takes precedence over revenue maximisation.
- Ensuring that investment decisions are made in the best interests of the trust.
- Maintaining the trust as a going concern.

The finance committee is responsible for:

- Making financial recommendations to the board of trustees.
- Carrying out any other responsibilities in line with the relevant scheme of delegation.
- Adhering to and implementing this policy.

The Finance Director is responsible for:

- Regularly monitoring the trust's reserves and reporting to the board of trustees or the finance committee accordingly.
- Reporting the explanations for any shortfall or excess in reserves.
- Reporting any actions being taken or planned to bring reserves in line with the minimum and maximum limits.
- Transferring investment funds to an interest-bearing deposit account, with the authorisation of the board of trustees.

3. The purpose of reserves

Reserves will have a specific purpose relating to future spending or covering current and future risks. The purposes for holding reserves will be kept transparent.

Reserves will be held to ensure that unexpected financial events do not cause problems in the current year or cash flow issues, or generate a deficit.

The purposes for holding reserves may include:

- Covering unforeseen emergencies or unexpected expenditure, e.g. a large repair bill.
- Covering unforeseen day-to-day operational costs, e.g. employing temporary staff to cover long-term absence.
- Covering a failure in a source of income, e.g. a grant not being renewed.
- Preparing for planned commitments that cannot be met by future income alone, e.g. plans for a major asset purchase.
- Needing to fund short-term deficits in budget, e.g. funds that may need to be spent before a grant is received.

4. Types of reserves

Unrestricted reserves

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the board of trustees in furtherance of the trust's objectives.

Restricted reserves

Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of the trust's objectives or assets, or spent where the donor has expressed the nature of expenditure.

Restricted reserves may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Designated reserves

A sum of unrestricted or restricted reserves may be separated and designated a particular purpose, therefore becoming a 'designated reserve', e.g. to purchase a new asset.

Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the board of trustees.

Pension reserves

The defined benefit pension scheme reserve has a negative balance. The effect of the deficit position of the pension scheme is that the Academy Trust is paying higher employers' pension contributions over a period of years. The higher employers' pension contribution will be met from the Academy Trust's budgeted annual income.

Whilst the deficit will not be immediately eliminated, there should be no actual cash flow deficit on the fund, nor any direct impact on the free reserves of the Academy Trust.

5. Managing reserves

The board of trustees will identify why the trust should hold reserves and, having identified its needs, will decide how much should be held to meet them.

The financial risk to the trust will be balanced alongside our vision to maintain the highest levels of education.

The Trustees have determined that the appropriate level of free reserves should be approximately £200,000. Currently the total free reserves are £262,067 which includes £8,128 of restricted donations and £34,361 which has been designated by the trustees. This provides sufficient working capital to cover delays between spending and receipt of grants and to provide a cushion to deal with unexpected emergencies such as urgent maintenance or to maintain staffing levels in the event of a reduction in funding.

Reserves will be reviewed and monitored by the board of trustees on a termly basis to identify any trends in spending and to rectify issues where they arise.

Reserves in excess of the maximum limit will be reviewed by the board of trustees, who may release funds into the revenue budget in furtherance of the trust's objectives or re-invest the funds to generate extra income for the trust's activities.

The movement of funds to and from the reserve budget will be at the discretion of the board of trustees, or the finance committee where delegated authority has been provided.

6. Investment

The trust will aim to manage its cash balances to provide for day-to-day financial management.

Aims

The aim of this policy is to ensure that funds, which the school does not immediately need to cover anticipated expenditure, are invested in such a way as to maximise the school's income but to minimise risk.

Our aim is to spend the public monies with which we are entrusted for the direct education benefit of pupils as soon as is prudent. The school does not consider the investment of surplus funds as a primary activity, rather it is the result of good stewardship as and when circumstances allow.

Implementation

The school will construct such budgets and cash flow forecasts as are required by legislation to ensure the viability and sustainability of the activities of the school.

From time to time, operational and strategic decisions related to the education of pupils at St Margaret's Academy will result in substantial cash balances at the bank over a sustained period.

These periods will be identified by the Finance Director as part of the normal forecasting activity and, when identified, will result in the school making an investment in accordance with any guidance provided in the Academies Handbook.

Prior to investing funds the Headteacher must be satisfied that the cash flow predictions provided by the Finance Director are accurate and that the amount and period of the investment will not compromise the viability and sustainability of the activities of the 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 (e.g. investing in high risk investments which are not in the best interests of the Academy)'.

The principles which the Board of Trustees will adopt are as follows:

- Act within its powers to invest as set out in its articles.
- Manage and track its financial exposure and ensure value for money.
- Ensure that exposure to investment products is tightly controlled so that the security of funds takes precedence over revenue maximisation.
- Ensure that investment decisions are in the best interests of the trust.
- Investments in institutions other than through Lloyds Bank, which have been approved by the Board of Trustees, must have agreement from the Chair of Trustees and the Chair of Finance.

The trust will adhere to the Charity Commission's guidance for trustees about investments, and seek prior approval from the ESFA for investments of any value that are novel, contentious or repercussive.

Where the board of trustees has agreed on an amount to be invested, the Finance Director will be authorised to transfer the funds to an interest-bearing deposit account.

Invested funds will be reported to the finance committee at the next available meeting, outlining the maturity date and interest rate achieved.

On maturity, the Finance Director will review the position and re-invest in line with this policy, in a rolling programme to allow accessibility within 3, 6 or 12 months, without losing interest.

Re-investment of funds, with interest, is automatically undertaken for the Headteacher, by the Finance Director, unless funds are required for anticipated expenditure.

All new investments must be authorised by the Headteacher and Finance Director.

To minimise and limit the risk of investment, the trust will:

- Invest in markets where financial services are closely regulated.
- Adopt a suitably diversified portfolio.
- Avoid speculative forms of investment.

The trust will not invest in:

- Any organisation that is directly involved in indiscriminate weaponry.
- Any organisation that produces pornography.
- Any organisation where their principal business activity or focus is tobacco, alcoholic drink or gambling.
- Any organisation that does not have any ethical or environmental consideration.

7. Reporting

The board of trustees will have due regard for the Academies Accounts Direction guidance at all times.

The board of trustees will disclose in its annual report its policy for building and maintaining reserves and investments, and the following information:

- Why reserves are held
- The amount or range of reserves that are held at the end of the year
- How the trust aims to achieve its desired amount of reserves
- How the trust plans to raise the amount of reserves held, where they are below the minimum level
- How the trust plans to better utilise the amount of reserves in the future, where they are in excess of the maximum level
- Details of the circumstances giving rise to any deficit and the steps being taken to eliminate it
- An explanation of the investment policy
- A statement about the performance of the trust's investments

8. Monitoring and review

This policy will be reviewed annually by the Finance Audit and Risk Committee and any changes will be recommended to the Board of Trustees