

Reserves and

Investment Policy

#FI3

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**Statement of intent**

Three Counties Academy Trust (TCAT) 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 TCAT undertakes. The risk to TCAT can be summarised as a risk to future funding due to falling pupil rolls, reforms to funding, emergencies, and early teacher retirement or redundancies.

# Legal framework

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

* ESFA (2023) ‘Academy trust handbook 2023’
* ESFA (2024) ‘Academy trust financial management good practice guides’
* Charity Commission (2023) ‘Charity reserves: building resilience’
* Charity Commission (2023) ‘Charities and investment matters: a guide for trustees’

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

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

# Roles and responsibilities

The Trust Board is responsible for:

* Ensuring TCAT’s reserves are maintained and used only as described in this policy
* Ensuring that appropriate financial controls and risk management procedures are in place
* 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
* Seeking appropriate advice as required for the use of reserves and when TCAT is considering 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 TCAT
* Maintaining a record of investment decisions and how the Trust Board reached them
* Maintaining TCAT as a going concern

The Finance Committee is responsible for:

* Making financial recommendations to the Trust Board
* Carrying out any other responsibilities in line with the relevant scheme of delegation
* Adhering to and implementing this policy

The Chief Finance Officer (CFO) is responsible for:

* Regularly monitoring TCAT’s reserves and reporting to the Trust Board or the Finance Committee accordingly
* Reporting the explanations for any shortfall or excess in reserves
* Comparing the amount of reserves held with the minimum and maximum limits set out in this policy
* 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 Trust Board

# The purpose of reserves

Reserves will have a specific purpose, in line with TCAT’s objectives, 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 the following:

* Managing cashflow and ensuring that TCAT can manage fluctuations in income by making sufficient cash available to pay bills and expenditure items as they fall due
* Setting aside a contingency amount to cover any unforeseen issues or extra costs throughout the year
* Building, estates, or non-building capital projects and growing savings to enable maintenance, development and improvement of TCAT’s infrastructure
* Developing and growing TCAT and ensuring TCAT’s financial health
* Preparing for future change and uncertainty

# Types of reserves

**Unrestricted reserves**

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the Trust Board in furtherance of TCAT’s objectives.

Not all of TCAT’s unrestricted funds, however, will be readily available for spending due to potential adverse impact on the ability of TCAT to deliver its aims. In line with this, the following items will be excluded from reserves:

* Tangible fixed assets used to carry out the TCAT’s activities, e.g. land and buildings
* Programme-related investments held solely to further TCAT’s purposes
* Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation must be applied
* Designated funds set aside to meet essential future spending, e.g. funding a project that could not be met from future income
* Commitments that have not been provided for as a liability in the accounts

**Restricted reserves**

Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of TCAT’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 Trust Board.

Where a designated reserve has been created, the Trust Board will provide a purpose and a timeframe for spending it.

**Pension reserves**

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves stated in section 5.

The Trust Board will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.

TCAT aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

# Managing reserves

The Trust Board will identify why TCAT should hold reserves and, having identified its needs, will decide how much should be held to meet them.

In deciding the level of reserves to maintain, the Trust Board will consider:

* The size of TCAT
* TCAT’s estates strategy
* TCAT’s future plans
* Upcoming risks and opportunities

The target level of reserves will be informed by:

* TCAT’s forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources
* TCAT’s forecasts for expenditure for the current and future years on the basis of planned activity
* Analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs
* An assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising which means that reserves are necessary, and the potential consequences for TCAT of not being able to make up the shortfall

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

TCAT will hold a minimum reserve of £230,000 This equates to approximately 5 percent of the TCAT’s general annual grant (GAG). TCAT will set a maximum limit for its reserve funds of £183,000 This equates to 4 percent of TCAT’s GAG

Reserves will be reviewed and monitored by the Trust Board on a termly basis to identify any trends in spending and to rectify issues where they arise. Where reserves during the year are below target or exceed target, the Trust Board will consider whether this is due to a short-term situation or a longer-term issue. A broader review of finances and reserves will be undertaken if necessary, and action will be taken where appropriate to replenish or spend reserves.

As part of the normal monitoring and budgetary reporting processes, the Trust Board will:

* Identify when reserves are drawn on so that they understand the reasons and can consider the corrective action, if any, that needs to be taken
* Identify when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any, that needs to be taken
* Regard the ongoing review of the reserves target, the reserves level and the reserves policy as part of managing TCAT
* Ensure that this policy continues to be relevant as TCAT develops or changes its strategy and activities
* Review the statement on reserves in their annual report where there have been significant changes in this policy or the level of reserves held

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

The movement of funds to and from the reserve budget will be at the discretion of the Trust Board, or the Finance Committee where delegated authority has been provided.

Any deviation from this policy, where necessary and appropriate, will be minuted by the Trust Board.

# Investment

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

Where there are sufficient funds to meet all of TCAT’s financial commitments, and surplus funds in excess of £183,000 exist, TCAT will seek to optimise returns by investing. TCAT will manage conflicts of interest in relation to investment in line with the Conflicts of Interest Policy.

Where TCAT decides to invest, the investment risk will be properly managed. When considering an investment, the Trust Board will:

* Act within its powers to invest as set out in its articles
* 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 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 TCAT
* Ensure that reserves are invested in a way that can readily realised as cash, when needed

The Trust Board will keep and maintain a record of its investment decisions and how it reached them. Decisions about investments will be delegated to a suitable individual or body, e.g. an investment manager or collective investment fund, where appropriate. Professional advice will be obtained before making and reviewing investments, unless there is a good reason not to.

TCAT 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 Trust Board has agreed on an amount to be invested, the CFO 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 CFO will review the position and re-invest in line with this policy, where required.

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

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

TCAT will not invest in any organisation that conflicts with TCAT’s values, could bring TCAT’s reputation into disrepute, or that are high-risk, e.g. crypto-assets.

# Reporting

The Trust Board will disclose in its annual report its policy for building and maintaining reserves and investments and will include the information required in line with the Academies Accounts Direction for the relevant reporting year.

TCAT will disclose information about reserves in its annual report. This will include a review of reserves and details of:

* Where funds are restricted and not available for the general purpose of TCAT
* Any amount designated and the reason why
* Any amount that can only be realised by disposing of a tangible fixed asset
* The amount of reserves held after making allowances, the plans in place for the future of these reserves, and the likely expenditure date
* How the amount of reserves held compares to that which is set out in the Managing reserves section of policy and any steps taken to bring the level of reserves held into line with this

# Pooling reserves

The Trust Board has decided to pool TCAT’s reserves for the purposes of meeting the running costs at any constituent academy within TCAT.

The Trust Board will use pooled reserves within TCAT in the following circumstances:

* To smooth out disparities in funding between academies
* To direct funds to specific academies which are required to raise educational standards
* To direct funds to academies which require investment in facilities
* To direct funds to facilitate the policies of TCAT which are being implemented to support TCAT’s vision
* To redistribute funds from academies with more funding to those with less funding

All GAG receipts from academies within TCAT will be allocated to the Central Finance Team to form one funding pot. The decision to pool GAGs is reviewed by the Trust Board at each point a new academy joins TCAT. TCAT will not pool private finance initiative (PFI) funding.

TCAT will consider the funding needs and allocations of each constituent academy within TCAT.

A separate pooled funding appeals process will be drawn up and approved by the Trust Board and communicated to all academies within TCAT. TCAT’s internal appeals process will be applied at all times during an appeal. In the case that an academy’s Headteacher/Head of School feels the academy has been treated unfairly, they will appeal to TCAT using its appeals mechanism. If the grievance is not resolved, the Headteacher/Head of School can appeal to the Secretary of State via the ESFA. TCAT will provide any evidence to the ESFA that it feels is relevant to an appeals case.

# **Monitoring and review**

This policy will be reviewed in line with the published schedule at the front of this document and at any point material changes require it by the Executive Headteacher/CEO and the Chief Finance Officer in conjunction with the Trust Board. Any changes made to the policy will be amended by the Executive Headteacher/CEO and will be communicated to all members of staff. All staff are required to familiarise themselves with this policy as part of their induction programme.

The next scheduled review date for this policy is 31st August 2026.

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| Signed by: |
|  | Executive Headteacher/CEO | Date: |  |
|  | Chair of Governing Board | Date: |  |