

RESERVES AND INVESTMENT POLICY

A thriving family of schools who work together to celebrate differences, and support each other in pursuit of excellence.

DOCUMENT CONTROL

This document has been approved for operation within:	All Chancery schools.		
Responsible Officer:	CFO		
Approved by:	Finance and Resources Committee		
Approval date:	July 2024		
Date effective from:	July 2024	Date of next review:	July 2026
Review period:	2 years	Version:	3

Summary of changes within this version

Legal framework updated

Updated Roles and responsibilities for the board

Managing reserves has been expanded

The reason for holding reserves has been updated

Other minor changes throughout

STATEMENT OF INTENT

Chancery Multi Academy Trust 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.

1. Legal framework

- 1.1 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'
- 1.2 This policy operates in conjunction with the following school policies and documents:
- Articles of Association
 - Funding Agreement
 - Financial Procedures Policy

2. Roles and responsibilities

- 2.1 The board of directors is responsible for:
- Ensuring the trust'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 the trust 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 the trust.
 - Maintaining a record of investment decisions and how the board reached them.
 - Maintaining the trust as a going concern.
- 2.2 The Finance and Resources 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
- 2.3 The chief financial officer (CFO) is responsible for:
 - Adhering to and implementing this policy.
 - Regularly monitoring the trust's reserves and reporting to the board of trustees or the Finance and Resources 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 section 5 of 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 board of trustees.

3. The purpose of reserves

- 3.1 Reserves will have a specific purpose, in line with the trust's objectives, relating to future spending or covering current and future risks.
- 3.2 The purposes for holding reserves will be kept transparent.
- 3.3 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.
- 3.4 The purposes for holding reserves may include:
 - Managing cashflow and ensuring that the trust 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 the trust's infrastructure.
 - Developing and growing the trust and ensuring the trust's financial health.
 - Preparing for future change and uncertainty.

4. Types of reserves

Unrestricted reserves

- 4.1 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.
- 4.2 Not all of the trust's unrestricted funds, however, will be readily available for spending due to potential adverse impact on the ability of the trust to deliver its aims.

Restricted reserves

- 4.3 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.
- 4.4 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

- 4.5 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.
- 4.6 Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the board of trustees.
- 4.7 Where a designated reserve has been created, the board of trustees will provide a purpose and a timeframe for spending it.

5. Managing reserves

- 5.1 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. In deciding the level of reserves to maintain, the board of trustees will consider:
- The size of the trust.
 - The trust's estates strategy.
 - The trust's future plans.
 - Upcoming risks and opportunities
- 5.2 The target level of reserves will be informed by:
- The trust'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.
 - The trust'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 the trust of not being able to make up the shortfall
- 5.3 The financial risk to the trust will be balanced alongside our vision to maintain the highest levels of education.
- 5.4 Each trust school will aim to hold a minimum reserve that equates to **5 percent** of the trust schools' general annual grant (GAG). The trust will set a maximum limit for its reserve funds which equates to **10 percent** of the trust schools' GAG.
- 5.5 Reserves will be reviewed and monitored by the Finance and Resources committee 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 committee 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.

- 5.6 Reserves in excess of the maximum limit will be reviewed by the Finance and Resources committee, on behalf of 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.

6. Investment

- 6.1 The trust schools will aim to manage their cash balances to provide for day-to-day financial management.
- 6.2 Where there are sufficient funds to meet all of the trust school's financial commitments, and surplus funds exist, the trust will seek to optimise returns by investing the surplus after liaison with the CFO.
- 6.3 The Finance and Resources committee, on behalf of the board of trustees will make the decision on which products the trust schools can invest in ensuring that they:
- 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 the trust.
 - Ensure that reserves are invested in a way that can be readily realised as cash, when needed.
- 6.4 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.
- 6.5 Where the board of trustees has agreed on an amount to be invested, the CFO will be authorised to transfer the funds to an interest-bearing deposit account.
- 6.6 Invested funds will be reported to the Finance and Resources committee at the next available meeting, outlining the maturity date and interest rate achieved.
- 6.7 On maturity, the CFO will review the position and re-invest in line with this policy, where required.
- 6.8 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.

- 6.9 The trust will not invest in any organisation that conflicts with the trust's values, could bring the trust's reputation into disrepute, or that are high-risk, e.g. crypto-assets.

7. Reporting

- 7.1 The board of trustees 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. 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 and an explanation of the investment policy
 - The amount or range of reserves that are held at the end of the year
 - 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. A statement about the performance of the trust's investments

8. Monitoring and review

- 8.1 This policy will be reviewed every 2 years by the Finance and Resources committee and any changes made to the policy will be communicated to relevant stakeholders.