



Reserves and Investment Policy

Date reviewed: September 2023

Date of next review: September 2024

Version Control Table

Version	Date	Author	Rationale/Summary of changes	Ratified
V1.0	20/09/19	Tina Smith	Annual review	
V1.1	14/09/20	Tina Smith	Annual review and alterations to amount of reserves held New section on pooling reserves	
V1.2	28/09/21	Tina Smith	No change	14/12/21
V1.3	21/11/22	Tina Smith	Section 1 – updated legal framework	13/12/22
V1,4	14/09/23	Tina Smith	Minor change to section 1 – legal framework	

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Statement of intent

The M20 Learning 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.

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

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

- ESFA (2023) 'Academy trust handbook 2023'
- Charity Commission (2016) 'Charity reserves: building resilience'
- Charity Commission (2016) 'Charities and investment matters: a guide for trustees'

1.2. This policy operates in conjunction with the following policies:

- Articles of association
- Funding agreement
- Finance Policy
- Conflicts of Interest Policy

2. Roles and responsibilities

2.1. 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.

2.2. The financial oversight, audit and risk 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 & Operating Officer (CFOO) is responsible for:
- Regularly monitoring the trust's reserves and reporting to the board of trustees or the financial oversight, audit and risk committee accordingly.
 - Reporting the explanations for any shortfall or excess in reserves.
 - Comparing the amount of reserves held as set out in paragraphs 5.3 and 5.4 of this policy.
 - Reporting any actions being taken or planned to bring reserves in line with paragraph 5.3 and 5.4 of this policy.
 - 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 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:
- 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

- 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.

Restricted reserves

- 4.2. 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.

- 4.3. 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

- 4.4. 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.
- 4.5. Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the board of trustees.
- 4.6. Where a designated reserve has been created, the board of trustees will provide a purpose and a timeframe for spending it.

Pension reserves

- 4.7. The risks surrounding pension liabilities will be taken into account when calculating the level of reserves held.
- 4.8. The board of trustees will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.
- 4.9. The trust aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

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.
- 5.2. The financial risk to the trust will be balanced alongside our vision to maintain the highest levels of education.
- 5.3. The trust will hold a minimum reserve of 2% of the trust's general annual grant (GAG).
- 5.4. The trust will aim to hold 5% of the trust's general annual grant (GAG).
- 5.5. 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.
- 5.6. Reserves in excess of 5% 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.
- 5.7. The movement of funds to and from the reserve budget will be at the discretion of the board of trustees, or the financial oversight, audit and risk committee where delegated authority has been provided.

6. Investment

- 6.1. The trust will aim to manage its cash balances to provide for day-to-day financial management.
- 6.2. Where there are sufficient funds to meet all of the trust's financial commitments, the trust will seek to optimise returns by investing.
- 6.3. Where the trust decides to invest, the investment risk will be properly managed.
- 6.4. The trust will manage conflicts of interest in relation to investment in line with the Conflicts of Interest Policy
- 6.5. When considering an investment, the board of trustees 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 the trust.
- 6.6. 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.
- 6.7. Where the board of trustees has agreed on an amount to be invested, the Chief Financial & Operating Officer (CFOO) will be authorised to transfer the funds to an interest-bearing deposit account.
- 6.8. Invested funds will be reported to the financial oversight, audit and risk committee at the next available meeting, outlining the maturity date and interest rate achieved.
- 6.9. On maturity, the Chief Financial & Operating Officer (CFOO) will review the position and re-invest in line with this policy, where required.
- 6.10. 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.
- 6.11. 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.

7. Reporting

- 7.1. The board of trustees will have due regard for the Academies Accounts Direction guidance at all times.
- 7.2. 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 targeted amount
 - 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. Pooling reserves

- 8.1. The board of trustees will decide to pool its reserves if it deems appropriate for the purposes of supporting the academies in the trust.
- 8.2. The board of trustees will use pooled reserves from individual academies within the trust 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 facilities the policies of the trust which are being implemented to support the trusts vision.
 - To redistribute funds from academies with more funding to those with less funding.
- 8.3. All General Annual Grant (GAG) receipts from academies within the trust will be held centrally to form one funding pot.
- 8.4. The decision to pool GAGs will be reviewed annually by the board of trustees.
- 8.5. The trust will not pool PFI funding.

- 8.6. The trust will consider the funding needs and allocations of each constituent academy within the trust.
- 8.7. A separate pooled funding appeals process is drawn up and approved by the board of trustees and is communicated to all academies within the trust.
- 8.8. In the case that an academy feels it had been treated unfairly, it will appeal to the Secretary of State via the ESFA.
- 8.9. The trust's internal appeals process will be applied at all times during an appeal.
- 8.10. The trust will prove any evidence to the ESFA that they feel is relevant to an appeals case.

9. Monitoring and review

- 9.1. The board of trustees will review this policy annually.
- 9.2. The next scheduled review of this policy is September 2024.