

# Investment & Reserves Policy

April 2021

Date Approved:	April 2021	Review Date:	April 2021	Approved by:	The Trust Board
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## Investment

### 1. AIMS

This policy aims to ensure that:

- The academy trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the Academies Financial Handbook
- The trust's funds are used in a way that commands broad public support
- Value for money (economy, efficiency and effectiveness) is achieved
- Trustees fulfil their duties and responsibilities as charitable trustees and company directors

### 2. LEGISLATION AND GUIDANCE

The Academies Financial Handbook states that academy trusts are required to have an investment policy to:

- Manage, control and track their financial exposure
- Ensure value for money

This policy is based on the [Academies Financial Handbook](#) and guidance from [The Charity Commission](#).

This policy also complies with our funding agreement and articles of association.

### 3. ROLES AND RESPONSIBILITIES

#### 3.1 Academy trustees

Academy trustees will ensure that investment risk is properly managed. When considering whether to make an investment, trustees will:

- Act within their powers to invest, as set out in our articles of association
- Exercise caution in all investments, reducing risk and ensuring that the trust acts with the utmost integrity
- Take investment advice from a professional adviser, as appropriate
- Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximization
- Ensure that all investment decisions are in the best interests of the trust and command broad public support

Trustees will seek prior approval from the Education and Skills Funding Agency for investment transactions that are novel or contentious.

**Novel transactions** are those of which the Academy trust has no experience, or are outside the range of normal business activity for the trust.

**Contentious transactions** are those which might give rise to criticism of the trust by Parliament, the public, and the media.

#### 3.2 Resources committee

Academy trustees delegate responsibility for the trust's investments to the Resources committee.

The committee is responsible for:

- Controlling and tracking financial exposure

- Reviewing the trust's investments
- Reporting to trustees on investments

### **3.3 The chief financial officer**

The chief financial officer (CFO) is responsible for producing cash flow forecasts and for making decisions on investments. The CFO also provides information to the resources committee and academy trustees, as appropriate.

## **4. INVESTMENT PRINCIPLES**

We only invest funds in low risk and easily-accessible accounts. Funds will be placed in bank accounts with a withdrawal notice of no more than 12 weeks.

Risk is managed through diversification of investments, ensuring that the security of funds takes precedence over revenue maximization.

Funds will only be placed with banking institutions that are regulated by the Financial Conduct Authority and with good credit ratings.

## **5. PROCEDURES**

The following people are authorised signatories:

Headteacher

Executive Assistant

Senior Assistant Headteacher

Before any funds are invested, the 2 authorised signatories will sign to indicate they agree to the investment. An investment authorisation form can be found in appendix 1.

The following information will be recorded about investments:

- Date
- Amount and description of the investment
- Length of investment
- Interest rates/expected return

The CFO will review interest rates and compare them with other investment opportunities annually.

Cash flow and current account balances will be monitored regularly by the CFO to ensure immediate financial commitments can be met and that the current account has adequate balances to meet forthcoming commitments

When there are funds surplus to immediate cash requirements in the current account, we will transfer these to an account with a higher interest rate.

Investments will normally be for a fixed term that does not exceed one year, unless there is a clear rationale for longer-term investment that would benefit the trust.

A maximum of £85,000 will be placed with one financial institution. This is because the first £85,000 of an investment is protected by the Financial Services Compensation Scheme.

Funds, and any interest earned on those funds, will be automatically reinvested unless money is required for immediate or anticipated expenditure.

## Reserves

1. Maintaining an appropriate level of financial reserves is considered essential in protecting the Academy from financial risk generated by, for example:
  - Income reduction due to Government funding changes
  - Unexpected falls in students' numbers
  - Cash flow due to delays in receipt of funding
  - Emergencies
  
2. In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events is that the Academy's primary objective is preserved. At the same time, the Academy wishes to ensure that it uses its funding to benefit the students in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.
  
3. The Trustees will monitor levels of reserves in financial reports provided by the Finance Manger an in the annual financial statement prepared by the Auditors. Trustees will look to ensure that a prudent level of reserves is maintained, bearing in mind the recurrent spending needs to ensure high quality provision. In deciding the level of reserves Trustees will take into account the following:
  - One-month salary bill
  - The Academies annual budget
  - The need for any large project spends such as facilities development or building condition needs
  - Any uncertainty, turbulence or expected reduction in funding arrangements, including the level of transitional protection within the school funding and its expiry date
  - Anticipated funding over the next three years.

Appendix 1: investment authorisation form

DATE INVESTMENT MADE		DURATION OF INVESTMENT	
AMOUNT			
INTEREST RATE		EXPECTED RETURN	
DESCRIPTION OF INVESTMENT			
DETAILS OF WHERE THE INVESTMENT IS HELD			
SIGNATORY NAME PRINT		SIGNATORY NAME PRINT	
SIGNATURE		SIGNATURE	
DATE		DATE	