



**South East Cornwall Multi Academy Regional Trust**

# **Reserves and Investment Policy**

<b>Date</b>	<b>Changes</b>
23/03/17	Adopted by Trust Board
Feb 2018	Reviewed by CFO
05/03/18	Approved by Trust Board
Nov 2018	Reviewed by CFO
Jan 2019	Approved by Trust Board
Feb 2020	Reviewed by CFO
27/03/20	Approved by Trust Board
Feb 2021	Reviewed by CFO
30/03/21	Approved by Trust Board following review by the Resources Committee
Mar 2022	Reviewed by CFO
07/04/22	Approved by Trust Board
Mar 2023	Reviewed by CFO
29/03/23	Approved by Trust Board
Mar 2024	Reviewed by CFO/TLFO
16/04/24	Approved by Trust Board
Mar 2025	Reviewed by CFO/HoF
14/03/25	Approved by Trust Board

Adopted Date: 14<sup>th</sup> March 2025

Status: Approved

Review Date: 1<sup>st</sup> May 2026

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## **Purpose**

The policy of the Trust is to carry forward a prudent level of reserves designed to enable capital investment and maintenance, to fund development planning and to be prepared for any other unforeseen contingencies. This policy is subject to any constraints about the level of reserves that may be set by the appropriate government organisations.

## **Definitions**

### ***Restricted Funds Reserves***

This part of the Trust's reserves is represented by the main income for the Trust which is any carry forward at year end of General Annual Grant (GAG), other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for use according to the funding agreement or instructions from donors and are used for capital and operational purposes.

### ***Unrestricted Funds Reserves***

These are made up of the Trust's activities for generating funds, investment income and other donations which are expendable at the discretion of the Trustees to achieve the objectives of the Trust.

### ***Designated Funds***

These are unrestricted funds that have been allocated by the Trustees for a purpose.

These funds are reviewed regularly and approved by the Trustees; they are obtained by designated funds from the unrestricted funds.

## **Introduction**

The Trust is required to apply effective financial management policies and ensure that cash is properly controlled. The Trust should hold a level of cash in reserve that most self-managing organisations would regard as prudent and no more. The Department for Education (DfE) expects Trusts with larger cash balances to have a clear plan as to how they will use them and to be able to demonstrate they have acted accordingly.

There are several constraints placed upon academies in terms of financial management one of which is the inability to borrow funds. This represents a significant risk to the Trust in relation to financial planning and monitoring. One of the ways in which the Trust mitigates this risk is through the effective management of reserves in order to provide alternative temporary funding streams should there be a delay in the receipt of funds, sudden unforeseen increase in expenditure and also to manage the risk and uncertainty of future funding. The Trust may also need to take account of longer term plans such as capital investment, funding maintenance and expansion. Where those costs are considerable the Trust may need to build up reserves in order to do this.

## Level of Reserves

It is the intention of the Trust Board to maintain a level of reserves between 5% and 8% of GAG and unrestricted income.

The main financial risk to the Trust is that of managing its short-term cash flow effectively. To mitigate this risk, it has been agreed by the Trust Board that an appropriate reserves balance would be up to a maximum of 8% of income. Where there is a requirement for additional reserves in order to invest in assets or fund improvement / expansion projects, as per development planning, then this will be agreed by the Resources Committee as part of the budget approval process.

The Trust has confidence that it will meet the required pension contributions from its projected income without significantly impacting on its planned level of charitable activity, it continues to calculate its 'free' or general unrestricted reserves without setting aside designated reserves to cover the pension liability.

The Local Government Pension Scheme (LGPS) has a negative balance. The effect of the deficit position of the pension scheme is that the Trust is paying higher employers' pension contributions over a period of years. The higher employers' pension contributions will be met from the 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 Trust.

## Investment Policy

The Trust will, where possible, use its income in the financial and academic years it is acquired; except for that designated as Reserves. Investment therefore means placing that income in a low risk environment so funds are available when needed and maximising returns by making use of appropriate savings and other investment accounts.

To expedite this, the Chief Financial Officer is authorised to move funds among the Trust's accounts in line with the financial scheme of delegation.

Any monies identified for a future purpose with an identified date will be invested appropriately.

The risk, advantages and disadvantages of having all the Trust's funding within one bank will be monitored annually by the Finance Trustee. The Chief Financial Officer will also ensure that the chosen bank is of a minimum of an A rating unless there is a compelling reason for it not to be. Other forms of investment for the Trust's funds will be regularly reviewed and adopted if approved by the Trust Board.