

RESERVES AND INVESTMENT POLICY

Equa 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.

The policy and the establishment of financial ranges are based on a 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.

Policy Lead	CFO
Committee	Resources
Adopted by Trust Board	June 2021
Last Amended	
Last Review	June 2022
For Review	Annually

1. The purpose of reserves

Reserves will have a specific purpose 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:

- 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.

2. Types of reserves

Unrestricted reserves

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

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.

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 board of trustees, in line with the reserve's original type (restricted or unrestricted).

Where a designated reserve has been created, the board of trustees will provide a purpose and a timeframe for spending it.

3. Managing reserves

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.

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

The trust will hold a minimum of 5 percent of the trust's general annual grant (GAG) or £25,000 per Primary or £200,000 per Secondary.

For accounting purposes and transparency, reserves per academy will be held at academy level.

Reserves will be reviewed and monitored by the board of trustees on an annual basis to identify any trends in spending and to rectify issues where they arise.

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

4. Investment

The trust will aim to manage its cash balances to provide for adequate day-to-day liquidity.

Where there are sufficient funds to meet all of the trust's financial commitments, and surplus funds exist, the trust will seek to optimise returns by investing in interest bearing accounts and low risk instruments such as gilts.

Where the trust decides to invest, the investment risk will be properly managed.

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.
- Ensure that investment decisions are in the best interests of the trust.

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.

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.

Invested funds will be reported to the Resources Committee at the next available meeting, outlining the maturity date, key risks 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, the trust will:

- Invest in markets where financial services are closely regulated.
- Adopt a suitably diversified portfolio, which limits the Trust's exposure eg to a single institution.
- Avoid speculative forms of investment.
- Not invest in a company that may bring the Trust into disrepute.

5. Reporting

The board of trustees will have due regard for the [Academies Accounts Direction](#) guidance at all times.

Individual school reserves will be held at school level and reported as school reserves, both to the Local Governing Bodies, Headteachers and within the statutory accounts.

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 maximum level
- 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