



Reserves & Investment Policy

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Statement of intent

The Samara Trust (the 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.

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1. Legal framework

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

- ESFA (2021) 'Academy trust handbook 2021'
- Charity Commission (2016) 'Charity reserves: building resilience'
- Charity Commission (2016) 'Charities and investment matters: a guide for trustees'

This policy operates in conjunction with the following **Trust** policies and documents:

- Articles of Association
- Funding Agreement
- Finance Procedure Policy

2. Roles and responsibilities

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.
- Maintaining the **Trust** as a going concern.

The Finance and General Purposes Committee is responsible for:

- Making financial recommendations to the Board of Trustees.
- Carrying out any other responsibilities in line with the scheme of delegation.
- 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**.
- Adhering to and implementing this policy.

The Chief Financial Officer (CFO) is responsible for:

- Regularly monitoring the **Trust's** reserves and reporting to the Board of Trustees or the Finance and General Purposes 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

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.

4. 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.

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

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.

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

Pension reserves

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves stated in [section 5](#).

The Board of Trustees will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.

The **Trust** aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

5. 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 level of unrestricted reserves that will be held by the **Trust** is between 1 and 2 months of **Trust** operating costs (range min £275k – max £550k) for 2021/22.

Reserves will be reviewed and monitored by the Finance and General Purposes Committee on an annual basis to identify any trends in spending and to rectify issues where they arise.

Reserves in excess of the maximum limit 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.

The movement of funds to and from the reserve budget will be at the discretion of the Finance and General Purposes Committee.

6. Investment

The **Trust** will aim to manage its cash balances to provide for day-to-day financial management.

The Finance and General Purposes Committee has the responsibility to authorise any investments that are deemed appropriate.

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 so that the security of funds takes precedence over revenue maximisation.
- 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 Finance and General Purposes 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 Finance and General Purpose Committee at the next available meeting, outlining the maturity date 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 and compensation schemes are in place;
- Adopt a suitably diversified portfolio and utilised hedged products to limit the impact of systematic and unsystematic risk;
- Avoid speculative forms of investment.

The **Trust** is mindful of its underlying principles to further the purpose of the **Trust** (provision of education and the Christian ethos); that purpose will ordinarily be best served by seeking the maximum return consistent with commercial prudence. Therefore, the **Trust** will see to use a combination of positive and negative criteria to influence the investment decision making process.

Positive Criteria:

- Responsible employment practices;
- Best corporate Governance practices;
- Conscientiousness with regard to human rights;
- Sustainable environmental practice.

Sensitivity towards the communities in which the business operates. The **Trust** has given due consideration to the guidance issued by the Charities Commission and has recommended against any direct investment in the following types of organisations:

- 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, gambling or weekly collected home credit.

7. Reporting

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

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

8. Pooling reserves

The Board of Trustees will decide to pool the **Trust's** reserves if it deems it appropriate for the purposes of meeting the running costs at any constituent academy within the **Trust**.

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 facilitate the policies of the **Trust** which are being implemented to support the **Trust's** vision.
- To redistribute funds from academies with more funding to those with less funding.

All General Annual Grant (GAG) receipts from academies within the **Trust** will be allocated to the central finance team to form one funding pot. The decision to pool GAGs is reviewed annually by the Board of Trustees.

The **Trust** will consider the funding needs and allocations of each constituent academy within the **Trust**.

In the case that an academy's Principal feels the academy has been treated unfairly, they will appeal to the **Trust**. If the grievance is not resolved, the Principal can appeal to the Secretary of State via the ESFA. The **Trust** will provide any evidence to the ESFA that it feels is relevant to an appeals case.

9. Monitoring and review

The **Trust** will review and publish this policy on an annual basis, ensuring that it remain accurate and fit for purpose.