

Reserves and Investment Policy

AUTHOR:	Chief Financial Officer (CFO)
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APPROVED BY:	Finance Committee
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RESERVES AND INVESTMENT POLICY

November 2024



PURPOSE

1. The Trust will retain a common reserve fund to mitigate any financial revenue and capital risk and to ensure the stability of the Trust as a whole and of our constituent Academies. The reserves may be allocated, when necessary, to support learning to ensure standards are improved and maintained.
2. Our reserves are pooled by agreement of our academies however, if a constituent academy's principal feels the academy has been unfairly treated, they can appeal. Appeals should be in writing directly to the Chief Executive Officer. If the grievance is not resolved, they can appeal to the Secretary of State, via ESFA, whose decision will be final and who can dis-apply the pooling provisions.
3. The BEST Finance and Audit Committee is responsible for ensuring that our reserve fund is maintained sufficiently as described in this policy.
4. Spending requests (from constituent academies) must be considered by Finance and Audit Committee in line with the following stated priorities, and any subsequent recommendation must be minuted and made to the Board of Trustees who holds the final decision to proceed.
 - a) to address poor educational outcomes;
 - b) to fund any unavoidable in year operating deficit within our constituent academies;
 - c) for specific long-term maintenance needs to the existing buildings and facilities;
 - d) for any new facilities or infrastructure to meet student requirements.
 - e) to support a period where the Trust is growing.

All spending requests above £10,000 must be approved by the Finance and Audit Committee. The CFO can approve requests up to £10,000 where the amount of the request doesn't reduce the total reserves held by the school below the required minimum of 5% of their GAG income.

5. The ESFA have advised us that "Parliament has agreed, at the request of the Secretary of State for Education, to a guarantee that, in the event of academy closure, outstanding local government pension scheme liabilities would be met by the Department for Education. The guarantee came into force on 18 July 2013." In lieu of this the Trust will calculate its 'free' or general unrestricted reserves without setting aside designated reserves to cover the pension liability.

RESTRICTED, UNRESTRICTED AND DESIGNATED RESERVES

6. Restricted Reserves are represented by the main income for the Trust which is General Annual Grant (GAG) and other grant contributions or donations that are received for a specific project or purpose. These funds are restricted for the use according to the funding agreements or donors instructions. Our policy will adhere to the grant conditions set out by the Education and Skills Funding Agency (ESFA).
7. Restricted grants such as Academies School Condition Allocations (SCA) and Devolved Formula Capital (DFC) will be managed outside the confines of the reserves policy.

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8. Unrestricted Funds are made up of funds not specified in 6 and 7 above.
9. Designated Funds are unrestricted funds that have been assigned by the Board of Trustees for a particular purpose, usually related to the Trust's Estate - for example major Capital Build or Refurbishment Projects.

LEVEL OF RESERVES

10. Free reserves, consisting of the General Funds and GAG Funds, are under ongoing review, always bearing in mind the need to maintain an appropriate level to cover any future shortfalls and to have funds which can be used for future educational purposes and objectives of the Trust. The board reserves the right to set absolute limits at Trust or Academy level if the need arises to maintain sufficient liquidity.
11. The Trust will take a longer term view of the trust's financial plans consistent with the requirement to submit three-year budget forecasts to ESFA and set a policy for holding reserves, and explain it in its annual report, including a clear plan for managing reserves.
12. Free reserves consist of the surplus GAG and General Funds from each academy in the trust and each academy should maintain a minimum surplus free reserves of 5%, with a preferred 10%, of their GAG income.

INVESTMENT OF RESERVES

13. The Trust will endeavour to invest its reserve funds wisely and with a low-risk philosophy to ensure funds not immediately required attract a healthy interest return. This will be done via longer-term high interest accounts.
14. The return on any such investments will be reported annually to the Board.

REVIEW OF POLICY

15. This policy and the allocation of funds pertaining will be reviewed by the Finance and Audit Committee on an annual basis normally in the autumn term to inform decisions when considering projected out-turn figures and first draft budgets for the following year.