Reserves and Investment Policy

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Version Control

Ver.	Date	Comment
1	September 2019	Initial document
2	March 2023	Cyclical update
3	March 2026	Update on definitions of Resereves Update on Academy joining or leaving the Trust Inclusion of reserves target for individual schools of between 3% and 5% of income

This policy will be subject to ongoing review and may be amended prior to the scheduled date of the next review in order to reflect changes in legislation, statutory guidance, or best practice (where appropriate).

Contents

1. Principles

The Eden Academy (the Trust) aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Trust aims to invest surplus cash funds to optimise returns, whilst ensuring that the investment instruments are such that there is no risk to the loss of these cash funds.

This policy aims to ensure that:

- The Trust's funds are used only in accordance with the law, its articles of association, its funding agreement and the Academy Trust 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 Academy Trust Handbook states that academy trusts are required to have an investment policy to:

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

This policy is based on the Academy Trust Handbook and guidance from The Charity Commission.

This policy also complies with our funding agreement and Articles of Association.

3. Definitions

Reserves are defined as the part of the trust's unrestricted income fund that is freely available to spend on any of the trust's purposes, often referred to as 'free reserves'. They represent the funds available to the trust once all liabilities have been met, including unspent funds from previous years. Reserves are freely available to spend on the trust's purposes, as follows:

3.1. Restricted funds

Funds received for a specific purpose (for example, capital grants), which can't be used for general expenditure and are not included in reserves

3.2. Reserves:

Funds that can be used at the discretion of the trust board to support Eden Acedmy Trust's charitable objects

4. Purposes

Maintaining an appropriate level of financial reserves is considered essential in protecting the Trust from financial risk generated by, for example;

- Income reduction due to Government and/or local authority funding changes
- Unexpected falls in student numbers
- Cash flow issues due to delays in receipt of funding
- Emergencies

In general, it is considered prudent to maintain a level of useable reserves sufficient to cover unexpected and unplanned events so that the Trust's primary objective is preserved. At the same time, the Trust wishes to ensure that it uses its funding to benefit the pupils in its care which implies an imperative to consider actively the use of reserves to enhance educational provision.

To this end any consideration of investment or other use of reserves will:

- Ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements.
- Ensure there is no risk of loss in the capital value of any cash funds invested.
- Protect the capital value of any invested funds against inflation,
- Optimise returns on invested funds.

As a special schools' Trust, we recognise that the funding received from our placing local authorities is directly related the needs of the individual pupils. To this end, the Trust believes it is inappropriate to move reserves between its schools, except where, under exceptional circumstances, it is to balance out funding arrangements within a single LA area.

Regular cash flows are to be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding supply creditors that are due for payment.

Where the cash flow identifies a base level of cash funds that will be surplus to requirements these may be invested only in the following:

a) Interest bearing instant access deposit accounts with any of the high street banks
b) Other authorised institutions defined by the Financial Services Authority http://www.fsa.gov.uk/consumerinformation/compensation/brands
c) Treasury deposits, with maturity dates which do not result in the cash funds being unavailable for longer than 8 weeks.

Periodically (at least every 6 months) the Chief Operating Officer will review the interest rates being achieved and will compare with other investment opportunities that comply with the parameters of this policy. Accounts may be switched to a higher interest account within the same bank, but any change of bank must be referred to the Finance Committee.

5. Management of reserves

The Trust maintains a central reserve to cover trust-wide strategic projects and risks, while individual academies are responsible for holding and managing thier own reserves to manage their day-to-day operational needs. This approach combines the benefits of strategic oversight with local financial flexibility.

Reserves for individual schools should be maintained between 3% and 5% of income.

5.1. Reserves on joining the trust

When a school joins Eden Academy, a due diligence process will be undertaken to determine the financial position of the converting school.

All reserves held by the school, whether in a bank account or within a local authority, will be transferred to the trust. This includes both revenue and capital balances.

The trust will ensure that any restricted funds are used for the purpose for which they were originally intended.

The trust will work collaboratively with the joining school to ensure a smooth and transparent transfer of all financial assets and liabilities.

5.2. Reserves on leaving the Trust

In the event that an academy transfers to another trust, the academy's reserves will be managed in accordance with the trust's legal obligations under the Master Funding Agreement and supplemental agreements.

Any funds that have been centrally pooled and managed by the trust for the benefit of all academies will remain with the trust. The transferring academy's share of any central reserves will be determined based on the trust's internal accounting policies and will not be transferred to the new trust.

Any operational reserves held by the academy may be transferred to the new trust at the discretion of the Eden Academy Trust board of trustees, subject to any legal or regulatory requirements.

The trust's Chief Operating Officer (COO) will oversee this process to ensure a fair and equitable settlement.

6. Roles and responsibilities

6.1. Trustees

The Board of Trustees (the Board) 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 maximisation
- Ensure that all investment decisions are in the best interests of the trust and command broad public support

The Board will seek prior approval from the DfE for investment transactions that are novel, contentious or repercussive.

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.

Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

6.2. Finance Committee

The Board delegates responsibility for the trust's investments to the Finance Committee. The committee is responsible for:

- Controlling and tracking financial exposure
- Reviewing the trust's investments
- Reporting to trustees on investments

6.3. The Chief Operating Officer (as Chief Financial Officer)

The Chief Operating Officer (COO), in their role as Chief Financial Officer (CFO) is responsible for producing cash flow forecasts and for making decisions on investments. The COO also provides information to the Finance Committee and the Board, as appropriate.

7. Investment principles

The Trust only invests 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 maximisation.

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

8. Monitoring

Trustees, through the Finance Committee, will monitor levels of reserves in financial reports provided by the Chief Operating Officer and in the annual financial statement prepared by the Auditor. 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 Trust's 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 Trust funding and its expiry date.
- Anticipated funding over the next three years.

9. Review

This policy will be reviewed every three years.