Tudor Grange Academies Trust

Reserves and Investment Policy

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Date updated	Version	Change from last version
03.12.2020	2.0	Document rewrite
18.01.2022	3.0	Document rewrite
22.09.2022	3.1	Change to 4.4, enabling 12-month funds 'lock up' in a deposit A/C
19.09.2023	3.2	Annual review – updates to: • Section 1, paragraph 2 • Section 3, paragraphs 3 and 4 • Section 4, points 2 and 3

Contents

1 Purpose and Introduction

The purpose of the reserves policy is to ensure the stability of the Trust's organisational operations, so that the Trust has the ability to adjust quickly to changes in financial circumstances, such as large unbudgeted expenditure, for example arising from significant maintenance costs and/or sudden significant working capital requirements.

The purpose of the investments policy is to ensure surplus funds are adequately identified and only invested in low-risk funds.

The reserves policy is based upon an on-going risk assessment of the internal and external operating environment, as well as having a due regard for the nature of activities undertaken by the Trust for its beneficiaries.

The Trust is therefore diligent with its financial controls and oversight to balance the immediate expenditure needs with the strategic objectives of the medium term and will flex the level of headroom reserves accordingly. Schools prepare financial plans for at least the next five years alongside the annual budget, to allow the Trustees to continually monitor the level of available reserves.

2 Definitions and Goals

Unrestricted Reserve

The unrestricted reserve is derived from either the Trust or a school's activities for generating funds, investment income and other donations and can be spent at the discretion of the Trustees, in furtherance of the Trust's objectives.

Restricted Reserve

The restricted reserve represents the main income for the Trust, which is the General Annual Grant (GAG) plus other grant contributions or donations that are received for a specific educationally related project or purpose.

Restricted Fixed Asset Reserve

The restricted fixed asset reserve is specifically held for capital purposes and equates to the Net Book Value of the assets held by the Trust plus any unspent capital grants that have been accounted for in year.

Pension Reserve

The Trust is a member of the Local Government Pension Scheme (LGPS), a funded defined benefit pension scheme operated on behalf of the Trust's support staff. The pension reserve represents the difference between the value of the LGPS' assets and liabilities, as valued by actuaries at each year end. These valuations are set out each year within the Trust's audited accounts.

The pension reserve surplus or deficit does not constitute an immediate liability or realisable asset and does not mean that the equivalent amount is already committed or no longer available to the Trust. The presence of a pension surplus or deficit will generally result in a cash flow effect for the Trust in the form of an increase or decrease in employers' pension contributions over a period of years.

The Trust is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

3 Management of Reserves

The Finance and Personnel Committee (FPC) has set a strict minimum level for the aggregate of unrestricted reserve and restricted reserve (together referred to as 'GAG Reserves'), being 5% of full year Trust income ('target ratio'). The reason for this level is to enable the Trust to adjust quickly to changes in financial circumstances, for example arising from significant maintenance costs and/or sudden significant working capital requirements.

The impact of the pension reserve deficit or surplus is excluded from these calculations.

Projected GAG reserves are compared with the target ratio through the year by the FPC. Where GAG reserves are projected to be materially at variance with the target ratio, an appropriate range of options will be considered by the FPC and/or Trust Board. For example, if the FPC perceive GAG reserves could be lower than the target ratio for the year, cost savings options could be considered; if GAG reserves could be higher then funds might be invested to generate further income to allow expansion of the Trust's work.

The Trust must ensure that small variations in each school's income and expenditure in year do not adversely affect the level of the Trust's GAG reserves: the Trust has therefore set an expectation that schools should aim for their in-year surplus to be at least 2% of their full year total income.

4 Investments

The investment strategy is:

1. The FPC will agree the level of funds which are surplus to immediate cash flow requirements and are therefore available for investment.
2. The funds would be transferred to Lloyds Bank Plc; the account to be determined at the time.
3. As appropriate, FPC will review interest rates and compare with other secure, non-equity, investment opportunities and consider alternative secure investments.
4. The Trust will only invest funds in short-term (no more than 12 months) deposit accounts.

5 Review of Policy

This policy will be reviewed by the Finance and Personnel Committee annually in the autumn term. Changes to the policy will be recommended by the FPC for approval by the Trust Board.