



THE NORTON  
KNATCHBULL  
SCHOOL

## Investment & Reserves Policy

Policy Owner	Val Martin, CFO
Reviewed by	Val Martin
Delegated Approval	Reserved for the Board of Governors
Reviewed by the Finance & General Purposes Committee	21 <sup>st</sup> March 2025
Approved by the Board of Governors	1 <sup>st</sup> April 2025
Review Date	May 2026
Publication	On school website

## 1. Aims

This policy aims to ensure that:

- The academy's funds are used only in accordance with the law, its articles of association, its funding agreement, and the Academy Trust Handbook
- The academy's funds are used in a way that commands broad public support
- Value for money (economy, efficiency and effectiveness) is achieved
- Governors fulfil their duties and responsibilities as charitable Governors and company directors
- Governors demonstrate a clear plan for managing reserves, including setting a minimum level of reserves for contingency reasons and the utilisation of reserves for any projects

## 2. Legislation and Guidance Relating to Investments

The Academy Trust Handbook states that academy trusts are required to have an investment policy to:

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

Reference to investments in 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. Roles and Responsibilities Relating to Investments

### 3.1 Governors

Governors will ensure that investment risk is properly managed. When considering whether to make an investment, Governors will:

- Act within their powers to invest, as set out in our articles of association and funding agreement
- 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 optimisation
- Ensure that all investment decisions are in the best interests of the trust and command broad public support

Governors will seek prior approval from the Education and Skills Funding Agency for investment transactions that are novel or contentious.

**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.

### 3.2 Finance & General Purposes Committee

Governors delegate responsibility for the school's investments to the Finance & General Purposes Committee.

The committee is responsible for:

- Controlling and tracking financial exposure
- Reviewing academy's investments and investment policy on a regular basis
- Ensure value for money
- Reporting to Governors on investments

The CFO is responsible for:

- Producing reliable cash flow forecasts as a basis for decision making
- Recommending investment options that comply with this policy
- Providing sufficient management information to the Finance & General Purposes Committee so it can review and monitor investment performance

### 4. Objectives

The investment objectives are:

- To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements
- Only invest funds surplus to operational need based on all financial commitments being met without the Trust's bank account becoming overdrawn
- To ensure there is no risk of loss in the capital value of any cash funds invested
- To optimise returns on invested funds

### 5. Investment Strategy

Investment risk will be managed by diversification with the aim of ensuring that security of deposits takes precedence over revenue optimisation.

The Academy can invest any excess funds (over and above required day to day funds) in the following types of investment:

- Term deposit accounts
- Instant access deposit accounts

The investment of academy funds in shares or other financial products is not allowed due to the higher risk attached to these investments.

### 6. Implementation

Funds can be invested as follows:

**Period of time funds held on deposit:**

Up 6 months

Over 6 months up to 12 months

Over twelve months

**Authorisation required:**

CFO and Headteacher

Finance & General Purposes Committee

FGB

Decisions on how much to invest and how long to invest for, will be based on operational requirements, demonstrated by cash flow forecasts presented to the

Finance Committee. The cash flow forecasts will take account of the annual budget and spending plans approved by the Full Governing Body and updated monthly. A sufficient balance must be held in the current account so that the academy's financial commitments can always be met without the bank account going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review. Investments for a fixed term should not normally exceed one year to provide flexibility for the following year's plan unless a clear rationale is provided for exceeding one year for the benefit of the academy.

## **7. Monitoring and Review**

The academy has authorised signatories, two of which are required to sign instructions to the deposit taking institution.

The CFO will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Finance Committee at appropriate intervals, depending on the terms of the investments. For example, if investments are held for one year, then an annual report is appropriate.

## **Reserves**

The reserves policy:

- Provides guidance for strategic planning by considering how new projects or activities will be funded
- informs the budget process by considering whether reserves need to be used during the financial year or maintained for future projects
- informs the budget and risk management process by identifying any uncertainty in future income streams

Governors should set the minimum level of reserves.

When considering an appropriate level of reserves, the Governors consider:

- the risk of unforeseen emergency or other unexpected need for funds
- covering unforeseen day-to-day operational costs, for example employing temporary staff to cover a long-term sick absence
- a fall in a source of income, especially government funding to cover events after the funding formula is calculated, such as teachers' pay reviews
- planned commitments, or designations, that cannot be met by future income alone, for example plans for a major capital project
- the need to fund potential deficits in a cash budget, for example money may need to be spent before a funding grant is received
- the minimum level of reserves the trust expects to hold for contingency reasons
- details of any projects the trust has planned, including dates of spend and estimated spend

- how funds will be managed until project delivery
- the process for confirming the trust's strategic and investment priorities
- the plan for any long-term projects that will require substantial capital
- the process for using reserves to balance in-year budgets
- what steps the trust will take to manage risks around any pension fund deficit
- plans and timeframes for reviewing the policy, including details to state the period the policy is intended to cover

The financial risks identified determine the amount of reserves the academy targets to hold.

Increased levels of reserves may be held in the event of large building or expansion projects to facilitate any lapse in funding and other unforeseen costs.

Academies are expected to create reserves from their annual capital funding. However, as there is now minimal funding in the way of devolved formula capital grant from the DfE, this creates little opportunity to achieve a surplus. The Trust will therefore continue to bid for any grants available, based on capital projects identified in the Academy's Improvement Plan.

The level of reserve will be reviewed and set on an annual basis as part of the budget setting plan.

### **Monitoring and Evaluation of the Policy**

This policy will be monitored regularly for any changes in legislation or directions from the DfE which may have an effect and evaluated in the light of any comments made by the DfE, auditors and any other interested parties.