



Reserves & Investment Policy

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The Sovereign Trust is a Multi Academy Trust registered in England No. 09666511. Registered Office: Manor Academy Sale, Manor Avenue, Sale M33 5JX



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Version	Date	Amendments	Author	Status
3.1	12.02.2024	F&R committee requested for the 1% rule to be reviewed for the general reserves. This has now been made 10% to allow for salary increments over the year and between review of this policy. Reserves aim for each academy and central budget is included.	CFO	Approved F&R 08.02.2024
3.0	05.02.2024	ESFA Guidance on Academy reserves considered and level of reserves included.	CFO	Recommended for approval by F&R 08.02.2024
2.0	06.05.2021	Reserves Information included	CFO	Recommended for approval by F&R 06.05.2021
1.0	04.01.2016		CFO	Archived

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1 Policy statement

This policy sets out the rules by which The Sovereign Trust (the Trust) sets levels of reserves required by each academy and explains the Trust's approach to investment of surplus cash balances.

The purpose of the Reserves and Investment Policy is to ensure the stability of the Academy's organisational operations, so that it has the ability to adjust quickly to changes in financial circumstances, such as large unbudgeted expenditure, cyclical maintenance and working capital. The Trust aims to invest surplus cash funds to optimise returns but ensuring the investment instrument are such that there is low risk to the loss of these cash funds.

2 Aims

The aim of this policy is to ensure that funds which The Sovereign Trust does not immediately need to cover anticipated expenditure are invested in such a way as to maximise income but without risk. Our aim is to spend the public monies with which we are entrusted for the direct education benefit of pupils as soon as is prudent. The Sovereign Trust does not consider the investment of surplus funds as a primary activity, rather it is the result of good practice as and when circumstances allow.

What are the principles behind this policy?

- To ensure adequate cash balances are maintained in the current accounts to cover the day to day workings of the Trust.
- To ensure that there is low risk to the capital value of any cash funds invested.
- To protect the capital value of any invested funds against inflation.
- To optimise returns on invested funds for the benefit of the Trusts Charitable aims and objectives. It is the intention of the Trust to invest in ways that are consistent with the values of the Trust.
- The Trust will ensure that any bank or fund managers responsible for the Trusts investments are operating to socially responsible objectives consistent with those of the Trust.
- To ensure those funds that are ring-fenced are used appropriately to the restrictions set in place.

3 Procedures

- The Chief Finance Officer and Accounting Officer provide budget plans to the Trustees that aim to allow for each academy to have reserves set and agreed level by the Trustees.
- The Chief Finance Officer, Accounting Officer and Operations Director will regularly monitor Cash Flow and balance of the Central Bank Account balance to ensure that immediate financial commitments can be met and do not become overdrawn.
- The Chief Finance Officer and the Accounting Officer monthly review the income and expenditure of each academy and check variance to set budget.

- Appropriate investment options would be evaluated for any funds identified that are surplus to the planned current 3 year financial spend. The Trustees would approve which option offers the most security, best return and minimal restrictions to access before any investment is made.
- All investments options used must be protected and regulated by the Financial Services Authority.

4 Risk

A certain degree of risk is associated with all investments so Directors must do all they can to manage risk levels. Before any investment decisions are made, Directors must consider the level of risk they are able to accept. They must be satisfied that the overall level of risk they are taking is appropriate for the school. Losses may result in a low return on an investment, or the complete loss of all money invested. If this occurs, Directors should review their approach to risk and take the opportunity to learn from their experiences

5 Reserves

The Directors intend to maintain a prudent level of reserves over a period of time. They should ensure that sufficient resources are available so that unexpected events can be accommodated without causing current year problems, generating a deficit or cash flow issues. Reserves must have a specific purpose related to future spending or covering current and future risks. Reserves should be transparent and maintain the link with the purposes for which the income was given.

Current Level of Reserves

As at year end August 2023 the reserves were confirmed to be £2.6m, this is made up of the type of reserves as confirmed below and is considered necessary to meet operating expenditure in future years.

Type of Reserves

General Reserves – These reserves ensure sufficient resources are available to cover delays between spending and receipt of grants. They provide a cushion to deal with unexpected emergencies such as urgent maintenance.

The target level set is based on the monthly salary costs. Each academy aims to have one month's salary costs plus 10% held in general reserves. The amount is confirmed on the budget plans put to the Trustees for approval.

General Reserves required as per budget plans at February 2024

Central	£	51K
Longford Park	£	165K
Pictor Academy	£	275K
New Park Academy	£	291K
Manor Academy	£	327K
TOTAL	£	1,109K

Specific Capital Reserves – Established in order to fund capital expenditure and other investments that would not be affordable if financed from a single year's funding. The project priorities are determined by each individual academy and detailed in the budget plan put to the Trustees for approval.

Equalisation Reserves – The reserves are used to smooth out irregular spending. This practice is used during the year for New Park's Unitary Charges.

All reserves are reported and reviewed regularly at the Finance and Risk Committee meetings and expenditure impacting on reserves submitted for approval by the Trustees.

Use of Reserves

Should academies need to access the general reserves the Chief Finance Officer needs to confirm that the use is consistent with the purposes of the investment and reserves uses described in the policy. This step requires an analysis of the reason for any shortfall, the availability of other sources of funds before using reserves and evaluation of the time period that the funds will be required and replenished.

Each year academies should review the level of reserves held and provide a plan for the intended spend. Should academies wish to save to allow for specific projects to be undertaken then the headteachers are required to provide a Reserves Plan to the Trustees to outline the Rationale.

Each plan should detail

- The Vision
- Description
- Estimation of Savings required and Timeline

Authorisation of use of Reserves

Authorisation to use reserves of any kind will be made by the Finance & Risk Committee and approved by the Board of Trustees at the next available meeting. The approval should be noted in the minutes.

Reporting and Monitoring

The Directors are responsible for ensuring that the funds are maintained and used only as described in this policy. Upon approval for the use of these funds, the Academy will maintain a record and the Finance & Committee will regularly monitor progress until correct reserves are re-established and/or investment plan has been successfully undertaken.

Ownership of Funds

The reserves will continue to be owned by the schools that provided the money to establish them.

6 Policy review

This policy will be monitored as part of the Trust's annual internal review and reviewed on a three-year cycle or as required by legislature changes.