

# **RESERVES & INVESTMENT POLICY**

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**Revised: October 2020**  
**Next Review Due: October 2021**

## **Reserves Statement**

Dales Academies Trust has established a reserves policy to protect its activities by providing a financial comfort zone against an unpredictable environment and to make sufficient provision for future cash flow requirements and capital procurement. The policy also provides the framework for future strategic planning and decision-making. The development of an effective reserves policy will restrict the impact of any risk upon the continuing operations of Dales Academies Trust.

The reserves policy and the establishment of ranges is based upon an annual risk assessment of the operating environment, as well as having a due regard for the nature of future activities undertaken by Dales Academies Trust for its beneficiaries.

### **Types of Reserves**

#### *Unrestricted Reserves*

Unrestricted Reserves are derived from income funds, grants or donations that can be spent at the discretion of the trustees and trustees in furtherance of any of Dales Academies Trust's objectives.

If part of an unrestricted income fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the trustees' discretion to spend the fund. Unrestricted Reserves will be achieved through operational efficiencies and any trading activities undertaken by Dales Academies Trust.

Unrestricted Reserves are generally defined as funds held after excluding:

- Endowment funds (permanent & expendable);
- Restricted funds; and
- Funds that can only be generated on the sale of fixed assets used for charitable purposes.

#### *Restricted Reserves*

Restricted Reserves may be restricted income funds, grants or donations that are spent at the discretion of the trustees and trustees in furtherance of some particular aspect(s) of the objects of Dales Academies Trust; or where the nature of expenditure has been defined by the donor; or they may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Restricted Reserves are only available for expenditure once Dales Academies Trust has met its commitments and other planned expenditure and is in accordance with the limitations outlined in the original funding.

Restricted Reserves also are inclusive of capital items and are defined as Restricted Fixed Asset Reserves. This reserve is specifically held for capital purposes in furtherance of some particular aspect of the objectives of Dales Academies Trust.

All Restricted Reserves will be generated through improved operational efficiencies and

effective manpower planning and resourcing in addition to a proactive programme to identify relevant sources of grant funding.

#### *Designated Reserves*

Designated Reserves are reserves that have been set aside at the discretion of the Trustees in furtherance of any of Dales Academies Trust's objectives. Where a designation has been identified, the purpose and timing of any expenditure must be explained.

The target range for any Designated Reserve will be determined by the nature of the designation itself; the reserves will be derived from unrestricted and restricted funds where applicable.

#### *Pension Reserve*

The risks surrounding Dales Academies Trust's pension liability have been taken into consideration when calculating the target ranges. The presence of a pension 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 Dales Academies Trust.

The presence of a pension surplus or deficit will generally result in a cash flow effect for Dales Academies Trust in the form of an increase or decrease in employers' pension contributions over a period of years. Dales Academies Trust is confident that it can meet the required pension contributions from projected future income without significantly impacting upon its planned level of activities.

Dales Academies Trust may create a Designated Reserve to cover the pension liability.

### **Management of Reserves**

All reserves will be reviewed by Dales Academies Trust on a regular basis and an appropriate range of options will be considered which might include releasing the funds into the revenue budget in furtherance of Dales Academies Trust's objectives, assigning funds to appropriate designated reserves as may be determined by Dales Academies Trust, or investing the funds to generate further income to allow expansion of Dales Academies Trust's work.

Dales Academies Trust has a responsibility to hold reserves that mitigate potential risks against short term reductions in funding and/or income which would financially impact the cash flow of the Trust. The level of reserves that will be held is 1 months of Dales Academies Trust expenditure.

If an academy wishes to spend part or all of their brought forward reserves, anything up to the value of £5000 in an academic year can be approved by the CEO. Anything above £5,000 the Finance & Resources Committee must approve this spend prior to any expenditure. A formal request in the form of a business case (approved by the respective Head Teacher) must be submitted to the Finance & Resources Committee for approval.

The movement of funds to and from the reserves identified (other than movements from restricted to unrestricted) above will be at the discretion of Dales Academies Trust, or the Finance & Resources Committee where delegated authority has been provided by the Board of Trustees, subject to the restrictions which will remain attached to Restricted Funds

(Revenue and Capital) and their use. The movement of funds from restricted to unrestricted must be subject to obtaining appropriate consent from the original donor of the funds.

### **Investment Policy Statement**

This policy governs the investment strategy of Dales Academies Trust and all establishments that constitute Dales Academies Trust. The management of charitable funds and investments will comply with the requirements of the:

- Charities Act 2011; Trustee Act 2000;
- Financial Services and Markets Act (FSMA) 2000; and the
- Charity Commission.

The charitable funds of Dales Academies Trust are derived from direct government and local authority grants and these funds are defined as restricted. Additional charitable funds are generated through the operational nature of the charity's work, such as providing education, training and development; these funds are defined as unrestricted.

The trustee of these funds is Dales Academies Trust, which is managed by its Board of Trustees through the Finance & Resources Committee. Therefore, there is a sole corporate body/trustee with responsibility for managing and administering the assets of the charitable funds and investments.

### **Policy Scope**

This policy applies to all trustees and employees of Dales Academies Trust; a breach of the investment policy and procedure may result in disciplinary action.

### **Responsibilities**

#### *Finance and Resources Committee*

The Finance & Resources Committee (FARC) of Dales Academies Trust has the responsibility to authorise any investments that are deemed appropriate and in line with the liquidity requirements of the Trust. The FARC is responsible for monitoring adherence to this policy, the appointment of investment advisors/managing agents, and for deciding changes between the proportions of funds invested in common investment funds and/or liquid investments (Cash Deposits).

#### *Chief Finance Officer*

The Chief Finance Officer is responsible for ensuring that fund managers and their staff are aware of the investment policy, and for ensuring that the policy is followed for all investments held. The Director of Finance and Operations is also authorised to withdraw and deposit funds from and into liquid investments (Cash Deposits) to meet immediate working capital requirements, subject to the existing authorisation protocols.

### **Aims and Objectives**

The investment objectives of Dales Academies Trust are to:

Achieve a long-term real rate of return, net of inflation, to provide a source of capital to meet beneficiary and operational needs without subjecting the fund to large disinvestment that could impact the ability of the fund to meet future long-term financial commitments;  
Provide an income to Dales Academies Trust to help maintain its operational effectiveness in the short term.

However, a total return approach will take precedent, allowing Dales Academies Trust to focus on investments providing optimal performance in terms of overall return rather than investments which would provide the right balance of capital and income return. The protection of present and future beneficiaries will be a key responsibility of Dales Academies Trust.

Surplus income should only be invested if there is no requirement to spend the money within 12 months of the investment.

### **Investment & Counterparty Risk**

Dales Academies Trust acknowledges that, in order to achieve an optimal rate of return, investments will be subject to a level of risk (Risk Return Relationship). Dales Academies Trust will seek to adopt a prudent appetite towards risk by:

- Investing in markets where financial services are closely regulated, and compensation schemes are in place;
- Adopting a suitably diversified portfolio and utilising hedged products to limit the impact of systematic and unsystematic risk;
- Avoiding speculative forms of investment;
- Investing in common investment and/or unitised funds.

Professional investment advice will be sought about the most suitable investments for Dales Academies Trust and investments will be placed with suitably qualified investment managing agents.

### **Ethical Investment**

The Dales Academies Trust is mindful of its underlying principle to further the purpose of the Dales Academies Trust (provision of education and the Christian ethos); that purpose will ordinarily be best served by seeking the maximum return consistent with commercial prudence. Therefore, Dales Academies Trust will seek to use a combination of positive and negative criteria to influence the investment decision making process.

Positive Criteria:

- Responsible employment practices;
- Best corporate Governance practice;
- Conscientiousness with regard to human rights;
- Sustainable environmental practice;

Sensitivity towards the communities in which the business operates.

Dales Academies Trust has given due consideration to the guidance issued by the Charities Commission and has recommended against any direct investment in the following types of organisation:

- Any organisation that is directly involved in indiscriminate weaponry;
- Any organisation that produces pornography;
- Any organisation where their principal business activity or focus is tobacco, gambling, or weekly collected home credit.

### **Monitoring and Reporting Investments**

The Dales Academies Trust will review the performance of the Investment Manager and the Investment Funds annually or in the event of interest rates becoming negative by comparing their performance against that of competitors, average performance indicators, and the Investment Manager's adherence to the Investment Policy.

The CFO will report to the FARC on a regular basis how well the investments are performing as well as benchmarking against the financial marketplace.

Dales Academies Trust's annual report and financial statements will describe the investment policy used to select Dales Academies Trust's investments as well as reporting on the performance of investments.

### **Policy Review**

Dales Academies Trust board will review and publish this policy on an annual basis, ensuring that it remains accurate and fit for purpose.