



# TRUST RESERVES INVESTMENT POLICY

<b>Formulation date:</b>	<b>May 2018</b>	<b>Reviewing Committee</b>	<b>Finance &amp; Resources Board of Trustees Committee</b>
<b>Approved on:</b>	<b>May 2018</b>	<b>Next Review date:</b>	<b>January 2021</b>

**Associated documentation: Financial Handbook**

## **1. Purpose**

Academies are expected to create reserves from their annual GAG funding for both Capital and Revenue planned future expenditure. During the early years of operation, before pupil capacity is reached, GAG funding levels create little opportunity to achieve a Capital surplus reserve. The ESFA provide some Devolved Capital Funding to Academies, albeit at a small level and further reduced level during their first three years of occupation of a new building. The ESFA provides no other annual capital funding other than the opportunity to apply for grants to the ESFA Condition Improvement Fund (CIF).

The Trustees of Apollo Partnership Trust ensure all academies hold reserves in relation to both Capital and Revenue which fund future planned expenditure. These are normally met via transfers from GAG funding at year-end. (refer to Academies Financial Handbook for further information).

Academies are expected to hold contingency reserves from their annual GAG funding or other income. However, the element of reserve should not exceed 12% of the annual GAG unless, Trustees have sufficient reasons for accumulating the reserve. Reasons should be provided to the Auditors and the ESFA where appropriate.

## **2. Scope**

The Chief Finance & Operations Director in conjunction with the Chief Executive Officer is responsible for ensuring academy compliance with Apollo Partnership Trust Policies and Procedures.

Academies should hold reserves to fund planned capital expenditure over the next five years based on:

- Surveyors Reports
- Condition and Suitability Surveys
- Board level agreed planned capital development
- Section 106 Funding for additional students
- Expenditure due to Grant conditions (e.g. 3G Pitch carpet replacement)

Academies should hold reserves (excluding any Capital Reserves) of at least 1% of the total previous year GAG budget but not more than 10% unless agreed for a specific project agreed by Trustees. Any academy Revenue reserve should not fall below 1% of the previous year's total GAG funding. The Trustees of Apollo Partnership Trust

require a revenue reserve to be created to fund future expenditure related to the Trust's Improvement Plan, strategic long-term aims and any other unforeseen contingencies.

### **3. Procedure**

The Chief Finance & Operations Director should propose a capital reserve schedule and CIF bid plan for each academy to the Trustees, identifying, based on the condition of assets owned, the replenishment cycle for those assets and the related sum of funds required as indicated by Surveyors.

The Trustees should agree a value of reserves to be created in a year, usually via the Local Governing Bodies (LGB's) as part of the budget approval process for each academy within the Trust.

Spend of the capital reserve fund should only occur as agreed budgeted spend which is approved by the LGB's and Trustees as part of the budget process under the agreed Terms of Reference. The LGB of each academy should regularly review any surplus funds and ensure these are invested in high interest accounts/bonds than would normally be acquired in the normal daily current operating account. Monitoring of this should be reported to the Board of Trustees via Minutes of LGB meetings. Where an academies budget is managed centrally this will be monitored by the Board of Trustees.

A separate account (higher interest) should have instant access in order to ensure any "unknown" major expenditure can be moved to the current account in order to ensure cash flow does not indicate a deficit.

In addition, a nominal amount, not exceeding £500,000 (any one time, if identified as surplus) should be transferred to a higher interest notice account in order to generate additional revenue for the Academy. Any higher amount requires approval by the Finance & Resources Board of Trustees Committee. Trustees would need to be confident of the bank's financial stability and review this annually.

Academies within the Trust usually manage their own cash deposits and have nominated a list of two authorised signatories. The Business Managers within each academy will monitor the cash position and cash flow schedule and report this to the Local Governing Body on a termly basis. Minutes of these meetings will be shared with the Board of Trustees.

Any new accounts/investments must be reported to the Trustees Finance & resources Committee on a termly basis and summarised by the Chair to the full Board of Trustees.

***NB: Academies should not accumulate any funds from private sources for the benefit of the Academy unless expressly agreed by the Board of Trustees.***