

RESERVES & INVESTMENT POLICY



The People's Learning Trust: Reserves & Investment Policy

Policy Title:	Date Approved:	Approved by:	Review Date:
Reserves & Investment Policy	13.03.25	Board of Trustees	March 2026
Reserves & Investment Policy	21.05.26	Board of Trustees	May 2027

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1. Legal Framework

This policy has due regard to all relevant legislation and statutory guidance, including, but not limited to, the following:

- Academy Trust Handbook
- DfE's Academy trust financial management good practice guides
- Charity Commission 'Charity reserves: building resilience'
- Charity Commission's Charities and investment matters: a guide for trustees

This policy operates in conjunction with the following Trust policies and documents:

- Articles of Association
- Funding Agreement
- Finance Policy
- Conflicts of Interest Policy

2. Roles & Responsibilities

The Board of Trustees is responsible for:

- Ensuring the Trust's reserves are maintained and used only as described in this policy.
- Ensuring that appropriate financial controls and risk management procedures are in place.
- Identifying when reserves need to be drawn on, so that they understand the reasons for this and can identify any corrective actions that need to be taken.
- Identifying any broader, long-term financial problems that mean the reserves are frequently used or are below the minimum level.
- Acquiring approval from the DfE for novel, contentious and/or repercussive investments.
- Seeking appropriate advice as required for the use of reserves and when the Trust is considering investments.
- Authorising the transfer of investment funds to an interest-bearing deposit account.
- Ensuring value for money when deciding to invest funds.
- Ensuring the annual Trustee report and accounts contain the required reserves and investment disclosures in line with the Academies Accounts Direction.
- Reviewing and recording reasons for designated reserves and expected timescales for use in minutes.
- Approving the reserves policy and any substantial changes to investment strategy.
- Ensuring that exposure to investment products is tightly controlled so that the security of funds takes precedence over revenue maximisation.
- Ensuring that investment decisions are made in the best interests of the Trust.
- Maintaining a record of investment decisions and how the Board reached them.

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- Maintaining the Trust as a going concern.

The Finance & Resources Committee (FRC) is responsible for:

- Making financial recommendations to the Board of Trustees.
- Carrying out any other responsibilities in line with the relevant Scheme of Delegation.
- Adhering to and implementing this policy.

The CFOO is responsible for:

- Regularly monitoring the Trust's reserves and reporting to the Board of Trustees or the FRC accordingly.
- Reporting the explanations for any shortfall or excess in reserves.

The CFOO is authorised to transfer funds to approved interest-bearing deposit accounts and cash management platforms, in line with this policy and the Trust's cash flow requirements.

The CFOO may place deposits where:

- Sufficient "liquidity" is maintained to meet operational requirements.
- Investments are made only with UIK-authorised institutions assessed as appropriate under the Trust's treasury management arrangements.
- The security of funds takes precedence over revenue maximisation.
- Investment decisions remain in compliance with the Trust's Investment policy and DfE guidance.

Investment levels and durations will be determined with reference to cash flow forecasting, operational commitments, and risk exposure, rather than fixed monetary limits.

3. The Purpose of Reserves

Reserves will have a specific purpose, in line with the Trust's objectives, relating to future spending or covering current and future risks. The purposes for holding reserves will be kept transparent.

Reserves will be held to ensure that unexpected financial events do not cause problems in the current year or cash flow issues or generate a deficit.

The purposes for holding reserves may include the following:

- Managing cash flow and ensuring that the Trust can manage fluctuations in income by making sufficient cash available to pay bills and expenditure items as they fall due.

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- Setting aside a contingency amount to cover any unforeseen issues or extra costs

throughout the year.

- Building, estates, or non-building capital projects and growing savings to enable maintenance, development and improvement of the Trust's infrastructure.
- Developing and growing the Trust and ensuring the Trust's financial health.
- Preparing for future change and uncertainty.

4. Types of Reserves

Unrestricted reserves

Unrestricted reserves, which include income funds, grants and donations, will be spent at the discretion of the Board of Trustees in furtherance of the Trust's objectives.

Not all of the Trust's unrestricted funds, however, will be readily available for spending due to the potential adverse impact on the ability of the Trust to deliver its aims.

In line with this, the following items will be excluded from reserves:

- Tangible fixed assets used to carry out the Trust's activities, e.g. land and buildings.
- Programme-related investments held solely to further the Trust's purposes.
- Other restricted funds where the donor or grantor has specified the purpose to which the grant or donation must be applied.
- Designated funds set aside to meet essential future spending, e.g. funding a project that could not be met from future income.
- Commitments that have not been provided for as a liability in the accounts.

Restricted reserves

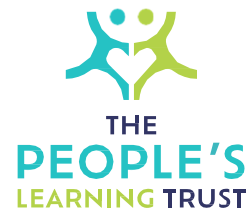
Restricted reserves, which may include restricted income funds, grants or donations, will be spent or invested in furtherance of the Trust's objectives or assets, or spent where the donor has expressed the nature of expenditure.

Restricted reserves may be endowment funds, where the funds or assets are required to be invested or retained for actual use, rather than spent.

Designated reserves

A sum of unrestricted or restricted reserves may be separated and designated for a particular

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purpose, therefore becoming a 'designated reserve', e.g. to purchase a new asset.

Designated reserves are labelled this way for administrative purposes only and can still be spent at the discretion of the Board of Trustees.

Where a designated reserve has been created, the Board of Trustees will provide a purpose and a timeframe for spending it.

Pension reserves

The risks surrounding pension liabilities will be taken into account when calculating the minimum and maximum levels of reserves stated in Section 5 (see below).

The Board of Trustees will assess the required pension contributions from projected future income without significantly impacting its planned level of activity.

The Trust aims to calculate its reserves without the need to set aside a designated reserve to cover pension liability.

5. Managing Reserves

The Board of Trustees will identify why the Trust should hold reserves and, having identified its needs, will decide how much should be held to meet them.

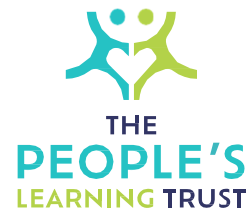
In deciding the level of reserves to maintain, the Board of Trustees will consider:

- The size of the Trust.
- The Trust's estates strategy.
- The Trust's plans.
- Upcoming risks and opportunities.

The target level of reserves will be informed by:

- The Trust's forecasts for levels of income for the current and future years, taking into account the reliability of each source of income and the prospects for developing new income sources.
- The Trust's forecasts for expenditure for the current and future years based on planned activity.
- Analysis of any future needs, opportunities, commitments or risks, where future income alone is likely to fall short of the amount of the anticipated costs.
- An assessment, on the best evidence reasonably available, of the likelihood of a shortfall arising, which means that reserves are necessary, and the potential consequences for the

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trust of not being able to make up the shortfall.

- **[Where reserves are set at zero or a low level]** The strategy for an orderly closure in the event of an unplanned shutdown and insolvency.
- The Trust will maintain a documented, orderly business continuity plan that demonstrates how liabilities and pupil continuity would be managed in an insolvency or closure scenario.

The financial risk to the Trust will be balanced alongside our vision to maintain the highest levels of education. The Trust will aim to hold a minimum reserve of **5%** of all DfE revenue funding.

Reserves will be reviewed and monitored by the Board of Trustees on a **termly** basis to identify any trends in spending and to rectify issues where they arise. Where reserves during the year are below target or exceed target, the Board of Trustees will consider whether this is due to a short-term situation or a longer-term issue. A broader review of finances and reserves will be undertaken if necessary, and action will be taken where appropriate to replenish or spend reserves.

As part of the normal monitoring and budgetary reporting processes, the Board of Trustees will:

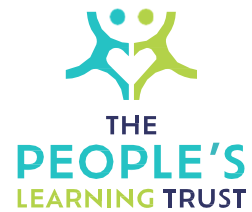
- Identify when reserves are drawn on so that they understand the reasons and can consider the corrective action, if any, that needs to be taken.
- Identify when reserve levels rise significantly above target so that they understand the reasons and can consider the corrective action, if any, that needs to be taken.
- Regarding the ongoing review of the reserves target, the reserves level and the reserves policy as part of managing the Trust.
- Ensure that this policy continues to be relevant as the Trust develops or changes its strategy and activities.
- Review the statement on reserves in their annual report where there have been significant changes in this policy, or the level of reserves held.

Reserves in excess of the maximum limit will be reviewed by the Board of Trustees, who may release funds into the revenue budget in furtherance of the Trust's objectives or re-invest the funds to generate extra income for the Trust's activities.

The movement of funds to and from the reserve budget will be at the discretion of the Board of Trustees or the FRC, where delegated authority has been provided.

Any deviation from this policy, where necessary and appropriate, will be minuted by the Trustees.

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6. Investment

The Trust will aim to manage its cash balances to provide for day-to-day financial management.

Where the Trust has surplus cash balances beyond immediate operational requirements, funds may be invested in accordance with this policy to support effective treasury management, security of funds, liquidity, and value for money.

Investment decisions will be informed by:

- The Trust's cash flow forecasts.
- Anticipated capital and revenue commitments.
- Liquidity requirements.
- Counterparty risk considerations.
- Prevailing market conditions.
- The need to maintain financial resilience and operational flexibility.

The Trust will manage conflicts of interest in relation to investment in line with the Conflicts of Interest Policy.

Where the Trust decides to invest, the investment risk will be properly managed. When considering an investment, the Board of Trustees will:

- Act within its powers to invest as set out in its Articles.
- Manage and track its financial exposure and ensure value for money.
- Exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser.
- Ensure that exposure to investment products is tightly controlled so that the security of funds takes precedence over revenue maximisation.
- Ensure that investment decisions are in the best interests of the Trust.
- Ensure that reserves are invested in a way that can be readily realised as cash, when needed.

The Board of Trustees will keep and maintain a record of its investment decisions and how it reached them. Decisions about investments will be delegated to a suitable individual or body, e.g. an investment manager or collective investment fund, where appropriate. Professional advice will be obtained before making and reviewing investments, unless there is a good reason not to.

The Trust will adhere to the Charity Commission's [guidance](#) for Trustees about investments and seek prior approval from the ESFA for investments of any value that are novel, contentious or

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repercussive.

Investment activity will operate within this framework approved by the Board of Trustees through this policy and associated financial regulations.

The CFOO is authorised to place funds through approved banking, treasury management and cash management arrangements, including diversified cash deposit platforms, where this supports effective risk management, liquidity, and value for money.

Investment values and durations will be determined with reference to cash flow forecasts, operational commitments, and liquidity requirements.

The CFOO will provide regular treasury management updates to the FRC, including invested balances, counterparty exposure, liquidity position, investment durations, and interest returns achieved.

On maturity, the CFOO will review the position and reinvest in line with this policy, where required.

To minimise and limit the risk of investment, the Trust will:

- Invest in markets where financial services are closely regulated.
- Adopt a suitably diversified portfolio.
- Avoid speculative forms of investment.

The Trust will not invest in any organisation that conflicts with the Trust's values, could bring the Trust's reputation into disrepute, or is high-risk, e.g. crypto-assets.

Investment decisions will be informed by the Trust's cash flow forecasts, operational commitments, liquidity requirements, and risk management considerations.

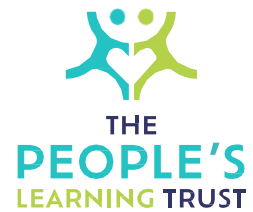
The Trust will maintain sufficient readily accessible cash balances to meet operational needs at all times. Decisions regarding investment values and durations will be determined by the CFOO within the parameters of this policy and reported to the FRC through regular financial monitoring.

The Trust will not invest funds in arrangements that expose capital to significant market volatility or risk to principal.

7. Reporting

The Board of Trustees will disclose in its annual report its policy for building and maintaining reserves and investments and will include the information required in line with the [Academies Accounts Direction](#) for the relevant reporting year.

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The Trust will disclose information about reserves in its annual report. This will include a review of reserves and details of:

- Where funds are restricted and not available for the general purpose of the Trust.
- Any amount designated and the reason why.
- Any amount that can only be realised by disposing of a tangible fixed asset.
- The amount of reserves held after making allowances, the plans in place for the future of these reserves, and the likely expenditure date.
- How the amount of reserves held compares to that which is set out in the Managing Reserves (Section 5) of this policy, and any steps taken to bring the level of reserves held into line with this.

The Trust will maintain an investment register which records:

- Date and amount invested.
- Counterparty and credit assessment.
- Interest rate and term.
- Maturity date and reinvestment decision.
- Authorisation and minutes reference.
- The register will be presented to the FRC annually and whenever material investments are made or mature. The annual report will include the reserves policy, the level of total reserves (split by unrestricted/restricted/designated), the basis of calculation, and explanations for material movements.

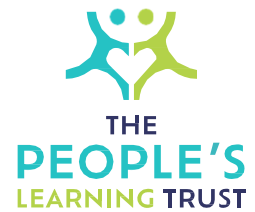
8. Pooling Reserves

The Board of Trustees may decide to pool the Trust's reserves if it deems it appropriate for the purposes of meeting the running costs at any constituent Academy within the Trust.

Where this happens, the Board of Trustees will use pooled reserves from individual Academies in the following circumstances:

- To smooth out disparities in funding between Academies.
- To direct funds to specific Academies which are required to raise educational standards.
- To direct funds to Academies which require investment in facilities.
- To direct funds to facilitate the policies of the Trust, which are being implemented to support the Trust's vision.
- To redistribute funds from Academies with more funding to those with less funding.

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The decision to pool GAGs is reviewed annually by the Board of Trustees.

9. Monitoring & Review

This policy will be reviewed annually by the Board of Trustees, and any changes made to the policy will be communicated to all stakeholders.