

Reserves and Investment Policy

Responsibility for Review: School and college trust leader, CFO
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Reserves and Investment policy: document provenance

Approver	Finance committee
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Policy owner	Accounting officer
Policy authors	School and college trust leader, CFO Finance centre of excellence
Version	3.0
Date of next review	February 2027
Summary of changes in this review	<ul style="list-style-type: none">• A new clause has been added: 9.0 Investment products• All references to ESFA have been updated to DfE• The FSCS protection limit has been updated to £120,000• Added reference to DfE guidance on academy trust reserves and ensured compliance with this guidance• Additional clarity added to 6.0 on management of reserves between 5% and 10% of total annual income
Related policies and documents	<ul style="list-style-type: none">• Risk management• Scheme of delegation• Articles of association• CC14: Investing charity money• CC19: Charities reserves building resilience

Unless there are legislative or regulatory changes in the interim, the policy will be reviewed as per the review cycle. Should no substantive change be required at this point, the policy will move to the next review cycle.

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1.0 Policy statement

- 1.1 The reserves and investment policy governs the management of reserves and their investment for Dixons Academies Trust. This is the residual portion of our trust's reserves over and above the operating costs. These reserves are eligible for investment by our trust's finance committee according to its mandate and investment parameters. This should be in line with the Academy Trust Handbook (ATH) and the Charity Commission's guidance on reserves.

2.0 Scope and purpose

- 2.1 The scope of the reserves and investment policy is to set out the processes by which the trustees will meet their duties under our trust's Articles of Association and the Academy Trust Handbook.
- 2.2 Our trust will invest monies surplus to operational requirements in furtherance of its charitable aims whilst ensuring that investment risk is properly and prudently managed. In addition, our trust sets out its reserves policy to ensure that there are sufficient funds to cover future liabilities that may arise, thereby ensuring that the going concern of our trust is managed responsibly and effectively.

3.0 Definition of reserves

3.1 Restricted funds

- 3.2 Restricted funds represent the cumulative unspent general annual grant, other government grants / income and sponsorship income carried forward from previous years in respect of funding received for the specific purpose of our trust's running costs excluding fixed assets. The Charities SORP recommends that these funds are excluded from the amount identified as reserves.

3.3 Unrestricted funds

- 3.4 Unrestricted funds represent surpluses generated from other trading activities and are to be used to support future general educational purposes either of revenue or capital nature at the discretion of our trust board. These funds will be considered as reserves when assessing the level and management of reserves.

3.5 Designated funds

- 3.6 These are unrestricted funds that have been allocated by the trustees for a particular purpose. Designated funds are reviewed regularly and approved by the finance committee. The Charities SORP recommends that these funds are excluded from the amount identified as reserves.

4.0 Definition of duties

- 4.1 Our trust's articles give trustees the power 'to expend the funds of the trust in such a manner as they shall consider most beneficial for the achievement of the objects and to invest in the name of the trust such part of the funds as they may see fit and to direct the sale or transposition of any such investments and to expend the proceeds of any such sale in furtherance of the objects'.
- 4.2 Whilst the board of trustees has overall responsibility for our trust's finances, the scheme of delegation approved by the trust board delegates the following responsibility to the finance committee:
- To review our trust's investments and investment policy on a regular basis.
 - Manage our cash position.
- 4.3 The chief finance officer is responsible for producing reliable cash flow forecasts as a basis for decision making. They are responsible for making investment decisions that comply with this policy and for providing sufficient management information to the finance committee so it can review and monitor investment performance. A five-year forecast must also be provided to the finance committee at least twice annually to ensure that financial monitoring is not limited to the year in hand but considers future spending and any other factors impacting the reserves that our trust holds.

5.0 Risk assessment

- 5.1 The risk to Dixons Academies Trust can be summarised as the combination of income stagnation (related to falling pupil rolls and increases below inflation) and rising costs (salary increases, pension cost increases, above inflation contract costs, increasing pressure of building maintenance).

- 5.2 Other risks include urgent capital or maintenance issues, unexpected cost increases related to external factors, early teacher retirement or redundancies.
- 5.3 Our trust also maintains a level of reserves in order to protect against cashflow risk, in particular due to income fluctuation and the management of capital projects.

6.0 Management of reserves

- 6.1 In order to alleviate the financial risks identified and guarantee the continued activities of its academies, our trust board will accumulate a minimum reserve of 5% of total annual income across our trust, and aim to hold a maximum reserve of 10% of total annual income across our trust.
- 6.2 Reserves are held as a contingency to help cover an unforeseen issues or unexpected extra costs in -year. These reserves also enable our trust to submit an annual balanced budget as required by the Academy Trust Handbook.
- 6.3 Dixons Academies Trust pools both its general reserves and capital reserves funding. This is deemed to be the most effective and fair way to manage spending within our trust. Our trust is committed to ensuring that budget-setting decisions are made at a trust level and that all academies are given the funds that are needed to provide the maximum opportunity for all of our students, no matter which academy or background they come from.
- 6.4 The financial risk to our trust must be balanced alongside our trust's vision to maintain the highest levels of educational provision for its beneficiaries. General reserves held in excess of 5% will be reviewed by the finance committee on a regular basis and an appropriate range of options will be considered by the trustees with advice from school and college trust leaders. These might include releasing funds into the revenue budget in furtherance of our trusts' objectives or re-investing the funds to generate extra income for an academy's activities.
- 6.5 The chief financial officer will report on the spend of reserves to the finance committee on a regular basis to ensure these continue to be used in line with policy.
- 6.6 The school and college trust leaders set a target for its in-year surplus at each academy. This is subject to review and approval by trustees and must follow the approvals of the scheme of delegation.

Commented [AL1]: @Lucy Bowman - Staff - DAT should this be Academy?

Commented [LB2R1]: Yes, updated to correct

7.0 Investment objectives

- 7.1 The investment objectives are:
- To achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
 - To invest only those funds surplus to operational need, based on all financial commitments being met without the trust bank account becoming overdrawn.
 - To ensure that all investment decisions are exercised with care and skill and consequently be in the best interests of our trust, commanding broad support.
 - The trust board will follow the Charity Commission guidance: CC14 investing charity money: guidance for trustees and CC19 charity reserves: building resilience.

8.0 Investment strategy

- 8.1 Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximization and investments will be reviewed regularly.
- 8.2 For selection, assets will only be considered with banking institutions which have good credit ratings. These ratings include:
- Baa3/P-3 or better (Moody's) or
 - BBB-/A-3 or better (S&P) or
 - BBB-/F3 or better (Fitch)
 - Any investment in an institution with a rating below the above will be limited to a maximum of £120,000 provided they are FSCS protected.
- 8.3 To manage the risk of default, deposits will be spread by banking institutions and be subject to a maximum exposure of £2,500,000 with any PRA authorised institution by the Bank of England (refer to Financial Conduct Authority [FCA]). Whilst this exceeds the protection limit of £120,000 provided by the FCA, it is accepted that it is not always practicable to find a sufficient number of investments of this size that meet the prudent criteria outlined in this policy.



9.0 Investment products

- 9.1 Our trust will invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where capital is not placed at risk) including:
- overnight (instant/easy access)
 - notice accounts (typically from 30-days to 100+ days)
 - fixed term deposits (typically from 1 month to 12 months)
 - investment maturity dates should not exceed 12 months in term

10.0 Spending and liquidity policy

- 10.1 Decisions on how much to invest, and how long to invest for, will be based on operational requirements, demonstrated by cash flow forecasts produced by the chief finance officer for the finance committee. The cash flow forecasts will take account of the annual budget and spending plans approved by the board of trustees and updated on a monthly basis.
- 10.2 A sufficient balance must be held in the current account so that our trust'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.
- 10.3 Investments for a fixed term should not normally exceed one year in order to provide flexibility for the following year's plans, unless a clear rationale is provided for exceeding one year to the benefit of our trust.

11.0 Monitoring and review

- 11.1 Two signatories are required to sign instructions for all trust bank accounts.
- 11.2 The chief finance officer will monitor the cash position and cash flow forecast and will report to the finance committee at appropriate intervals on the investments held and on the performance of those investments against objectives. For example, if investments are held then an annual report is usually appropriate.
- 11.3 This reserves and investment policy has been approved by our trust's finance committee who will review on an annual basis to ensure continuing appropriateness.