

Reserves and Investment Policy

Responsibility for Review: Finance committee
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Reserves and Investment policy: document provenance

Approver	Finance committee
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Policy owner	Accounting officer
Policy authors	Head of finance, head of governance and chief financial controller
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Date of next review	2.0
Summary of changes in this review	<ul style="list-style-type: none"> • A new clause has been added. 3.0 is the definition of reserves • In 7.1 an additional sentence to state that the board will follow the Charity Commission guidance with regarding investing charity money • In 7.1 an additional sentence to state that the board will follow the Charity Commission guidance with regarding investing charity investments • Clause 10.1 has been strengthened to state that two signatories are required to sign instructions to the main bank account and one signature is required for the deposit-taking institution
Related policies and documents	<ul style="list-style-type: none"> • Risk Management • Scheme of delegation • Articles of Association • CC14 Investing Charity Money

Unless there are legislative or regulatory changes in the interim, the policy will be reviewed as by 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

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 and Charities Commission.

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 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

Restricted funds

- 3.1 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.

Unrestricted funds

- 3.2 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.

Designated funds

- 3.3 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.

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 approve the investments policy to manage, control and track financial exposure, and ensure value for money;
To review the Trust's investments and investment policy on a regular basis.
- 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 the Trust holds.

5.0 Risk assessment

- 5.1 The risk to Dixons Academies Trust can be summarised as a risk to future income due to falling pupil rolls and increases in staffing salary and pension costs.
- 5.2 Other risks include emergencies such as urgent capital or maintenance issues, and early teacher retirement or redundancies.
- 5.3 The financial risk facing Dixons Academies Trust is increasing as the ESFA continues the transition to a new funding formula. The level at which the government will guarantee future funding in the form of the minimum funding guarantee remains unclear.



6.0 Management of reserves

- 6.1 In order to alleviate the financial risks identified and guarantee the continued activities of its academies, the Trust Board will accumulate a minimum reserve of 5% of total annual income across the Trust.
- 6.2 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.
- 6.3 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 10% 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.
- 6.4 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.

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.

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 £85,000 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 £85,000 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 Spending and liquidity policy

- 9.1 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.
- 9.2 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.
- 9.3 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.

10.0 Monitoring and review

- 10.1 Two signatories are required to sign instructions for all trust bank accounts.



- 10.2 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.
- 10.3 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.