



RESERVES & INVESTMENT POLICY

Reviewed by: Full Trust Board

Date Approved: 13 May 26

Review Frequency: Annually

Next Review Date: May 2027

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1. Purpose and Scope

This policy sets out the Trust’s approach to:

- Maintaining appropriate reserves to ensure financial resilience and sustainability
- Investing surplus funds prudently to generate additional income while protecting public money
- Managing financial risk in line with the Academy Trust Handbook, Charity Commission guidance, and the DfE’s *Managing Academy Trust Reserves* (June 2025)

This policy applies to all Trustees, academy representatives and employees involved in financial management. A breach of this policy may result in disciplinary action.

The policy covers short-term, cash-based investments only. It does not apply to any “capital at risk” investment strategies.

2. Reasons for Reserves

The Trustees maintain reserves to:

- Demonstrate prudence and good financial planning
- Protect the Trust’s ability to deliver high-quality education under unforeseen circumstances
- Provide resilience against fluctuations in income, delays in grant funding, or unexpected expenditure
- Enable future investment in Trust priorities, including improvements or expansion of facilities

Reserves form a critical part of the Trust’s three-year strategic budget planning and support long-term sustainability across all schools.

3. Risk Assessment

The key financial risks facing Campfire Education Trust include:

Income Risks

- Reductions in Government or Local Authority funding
- Falling pupil numbers
- Delays in receipt of grant funding
- Volatility in High Needs Top-Up allocations

Operational & Cost Risks

- Urgent maintenance or emergency works
- Ill-health retirements
- Changes in pension liabilities
- Redundancies arising from reduced income or falling pupil numbers

Given the Trust's growth plans, these risks are regularly reviewed. Trustees balance financial prudence with the need to maintain the high-quality education the Trust is known for. Maintaining appropriate reserves is a key mitigation strategy.

4. Reserves Policy

The Trust aims to retain consolidated free reserves equivalent to 5%–8% of total revenue income (TRI). This level provides resilience against unexpected costs, income fluctuations, and future risks or opportunities.

School-level reserves are monitored against the Trust-wide benchmark using a glide path, as set out in the Reserves Strategy.

- The Trust intends to increase reserves gradually toward the upper end of this range over the next three years.
- Reserves may be set aside **for specific future investments** at the Trustees' discretion.
- Reserves are reviewed annually with reference to:
 - In-year and cumulative financial performance
 - School-level financial positions
 - Key risks and future investment requirements

Where reserves exceed 20% of annual income, the Trust will explain the rationale (e.g., planned capital projects).

Where reserves fall below 5%, Trustees will outline plans to rebuild them.

5. Investment Policy

5.1 Policy Statement

Campfire Education Trust takes a prudent approach to managing public funds. Surplus cash not required for immediate expenditure may be invested to generate additional income, provided:

- Capital is not placed at risk
- Liquidity is maintained
- Investments comply with all legal and regulatory requirements

The Trust's charitable funds are governed by:

- Charities Act 2011
- Trustee Act 2000
- Financial Services and Markets Act 2000
- Charity Commission Guidance CC14
- Academy Trust Handbook (current version)
- DfE Managing Academy Trust Reserves (2025)

The Trust's Articles of Association permit financial investment.

5.2 Trustee Responsibilities

Trustees must:

- Act within their legal powers to invest
- Set investment objectives
- Define acceptable investment products
- Set counterparty and risk parameters
- Determine required levels of liquid cash
- Approve investment processes and seek external advice where appropriate
- Monitor and review investments regularly
- Explain the investment policy in the annual report

Day-to-day management is delegated to the Chief Finance Officer (CFO).

5.3 Objectives

- To generate additional interest income to support the Trust's charitable objectives
- To ensure investments are supported by reliable cashflow forecasting
- To maintain sufficient liquidity to meet all day-to-day financial commitments

6. Investment Products

In line with DfE guidance, the Trust may invest surplus funds in cash-based, capital-secure products only, including:

- Easy access / instant access accounts
- Notice accounts (typically 30–100+ days)
- Fixed-term deposits (1–12 months)
- Money market facilities where capital is not at risk

Investment maturity dates should not exceed 12 months, unless funds are earmarked for a specific future purpose with no foreseeable need for earlier access.

Product Profiles

Product Type	Access	Interest	Notes
Easy Access	Immediate	Variable	Suitable for liquidity
Notice Accounts	After notice period	Variable	Not accessible early
Fixed Term Deposits	At maturity	Fixed	No early access

7. Counterparty Risk & Restrictions

The Trust will only deposit funds with institutions that:

- Hold a UK banking licence
- Are regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA)
- Do not expose the Trust to capital risk

Credit Rating Requirements

For institutions with an investment-grade rating:

- Maximum deposit per institution: £5,000,000 (plus accrued interest)
- Acceptable ratings include:
 - Moody's: **Baa3 / P-3** or better
 - S&P: **BBB- / A-3** or better
 - Fitch: **BBB- / F3** or better
 - Implied rating: **BBB- or better**

Credit ratings will be checked at the time of placing each new deposit.

FSCS Protection

The FSCS compensation limit increased to £120,000 from 1 December 2025. The Trust may use the FSCS protection calculator where relevant.

8. Liquidity Management

The Trust must maintain sufficient short-term cash to:

- Meet payroll and day-to-day expenditure
- Manage reasonable one-off events
- Avoid overdraft positions

Cashflow forecasts:

- Must be reviewed **monthly** as part of management accounts
- Must be updated at each investment maturity point
- Determine how much can be invested and for how long

Notice and fixed-term deposits **cannot** be accessed early under any circumstances.

9. Investment Decision-Making

The CFO is responsible for:

- Producing reliable cashflow forecasts
- Making investment decisions in line with this policy
- Ensuring dual-control processes for opening, placing, and withdrawing deposits

The Trust Board approves:

- Investment strategy
- Counterparty parameters
- Use of external advisors
- Any changes to investment products or limits

10. Monitoring & Reporting

The CFO will report to the Finance, Risk & Audit Committee at each meeting (or on request), including:

- Funds invested
- Maturity dates
- Interest rates
- 12-month liquidity forecasts
- Recommendations for the next quarter

The annual report and financial statements will describe:

- The investment policy
- Performance of investments
- Any changes to strategy

11. Review

Trustees will review this policy annually to ensure it remains fit for purpose, compliant with regulation, and aligned with Trust strategy.