



King's Group Academies

INVESTMENT AND RESERVES POLICY

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Maintained by:	CFO	Next review due:	May 2027



Contents

Purpose and scope	3
Responsibility	3
Objectives	3
Investment Products	3
Counterparty risk	4
Assessing Liquidity Needs	4
Counterparty Restrictions	4
Investment Decisions	4
Monitoring & Reporting	4
Review	5
Reserves Policy	5



This Investment policy is designed to only apply to short term cash-based deposits. KGA does not enter into 'capital at risk' investments. It takes into account both the Academy Trust Handbook and the DfE "Managing Academy Trust Reserves / Academy Trust Reserves" guidance issued on the 2nd June 2025

Purpose and scope

To set out the processes by which the Trust can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed.

In doing so, Trustees must:

- Act within their Charity's power to invest.
- Set investment objectives.
- Set the parameters that deposit counterparties need to meet.
- Consider the level of liquid cash required to be held either overnight or within current accounts.
- Approve the type of products that the Trust can invest in and seek external guidance if required.
- Define processes to manage and make investment decisions.
- Monitor and review investments on a regular basis.

Responsibility

The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the CFO to ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing.

Objectives

To identify a level of funds that can be placed on deposit to generate additional interest income for the Trust in order to support its on-going charitable objectives.

Any investment decisions must be supported by a cashflow forecast that reduces the risk of the Trust not having the liquidity required to carry out its day-to-day activities.

Investment Products

The DfE Guidance "Managing Academy Trust Reserves: dated 2nd June 2025 states:

Considerations for the Board:

- if funds are not needed now, how the trust might be able to invest them to generate some extra income by reviewing current trust bank and saving accounts, cash reserve locations and interest rates available to establish where or how investment returns may increase, including:
 - reviewing type and amount of accounts
 - avoiding capital at risk investments
 - ensuring funds are deposited with banks or financial institutions that are registered and regulated by the Financial Conduct Authority (FCA) in the UK

The Trust can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

- Overnight (instant access / 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 unless funds are held for a specific future product with no risk of requiring access in the meantime.
- It is recognised that funds cannot be accessed before the relevant period of notice is given or, for fixed term deposits, at maturity.



The profile and restrictions of the most common deposit accounts are:

Easy Access:

- No notice needed to make withdrawals.
- Funds are usually returned overnight or within a few days
- Interest Rates are variable

Notice Accounts:

- No access without giving the required notice
- Interest Rates are variable

Fixed Term Deposits:

- No access until the deposit matures
- Interest Rates are fixed for the term

Counterparty risk

Following the Banking Crisis in 2007/2008, The Bank of England have (through the FSA and latterly, the FCA and PRA) implemented changes to banking regulation and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system.

Taking this and the DfE guidance into account, The Trust can only make cash deposits with institutions with a UK banking licence regulated by the FCA. The Trust will not enter into any “capital at risk” Investments.

Assessing Liquidity Needs

The Trust should ensure that a sufficient balance be held across accounts with short term (Instant or easy access) so that the Trust’s financial commitments can be met without the risk of the current accounts going overdrawn. It should also allow enough flexibility to deal with reasonable, one-off events should they occur.

The Trust’s cash flow forecasts will dictate how much is available for investment and for how long. The cashflow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

Counterparty Restrictions

Cash in excess of the immediate needs described in para 5 may be invested with Lloyds Bank, at preferential education rates, or via the Insignis investment platform. A maximum of 25% of the available cash may be invested with any one institution.

It is noted that notice and term deposits will not be accessible before the required notice period or maturity date for any reason.

Investment Decisions

The CFO is responsible for producing reliable cash flow forecasts as a basis for decision making.

The CFO is responsible for making investment decisions that comply with this Policy.

Deposit facilities in use by the Trust must be restricted to ‘dual control’ for the opening of a deposit, placing funds and withdrawing funds.

Monitoring & Reporting

The CFO will report investments held and the performance of investments against objectives to the Audit & Risk Committee for review when requested to do so. The reporting should include:

- Funds invested
- Maturity dates
- Interest rates



- Latest cash flows showing 12-month liquidity requirements
- Recommendations for the next 3 months.

Review

Trustees should review the Investment policy to ensure it is still fit for purpose annually.

Reserves Policy

The Trust aims to retain a revenue reserve level of 8% of General Annual Grant, subject to 10% tolerance either way, to provide for unexpected costs, pupil number variations, unfunded expenditure and future risks or opportunities.

(N.B. Where this figure is at or above 20% of GAG, the excess reserves should be explained (e.g. future planned building / large maintenance / capital projects etc.)

Where the figure is below 5%, this can indicate a financial vulnerability and any plans to increase reserves to this level should be detailed.