

# Policy A14 - Investment

---

## 1. Purpose and scope

- 1.1 The purpose of the Investment Policy is to set out the processes by which Board of Trustees will meet their duties under the Trust's Articles of Association and Academies Financial Handbook issued by the ESFA to deposit or invest any funds surplus to operational requirements in furtherance of the Trusts charitable aims and to ensure that investment risk is properly and prudently managed.

## 2. Definition of duties

- 2.1 The Trust's Articles of Association gives the Board of Trustees the power "to expend the funds of the Trust in such 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."
- 2.2 Whilst the Board of Trustees has responsibility for the Trust's finances, the Scheme of Delegation approved by the Board delegates responsibility to the Finance & Resources Committee (FRC) to approve and review the Investment Policy.
- 2.3 The FRC has delegated responsibility to manage, control and track financial exposure, to review the Trust's investments on a regular basis and to ensure value for money.
- 2.4 The Head of Finance (HoF) is responsible for producing reliable cash flow forecasts as a basis for decision making by the Executive Team. The Executive Team are responsible for making investment decisions that comply with this Policy and for providing sufficient management information to the FRC so it can review and monitor investment performance.

## 3. Objectives

- 3.1 The investment objectives are:
- to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
  - to only invest funds surplus to operational need based on all financial commitments being met without the Trusts bank account(s) becoming overdrawn.
  - by complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Trust, commanding broad public support.

## 4. Monitoring of credit standing

- 4.1 The HoF is responsible for monitoring closely the credit standing of approved counterparties. Where there is a reason to believe that a counterparty's credit standing is or may become impaired, investment limits must be reduced, or investments withdrawn as soon as possible. Any action taken will be reported to the FRC. Escalated risks are reported to the Board of Trustees.

## 5. Investment Limits

- 5.1 To manage the risk of default, deposits should be spread by banking institution and be subject to a maximum exposure of £500,000 with any Prudential Regulation Authority (PRA) authorised institution by the Bank of England (refer to Financial Conduct Authority (FCA)). Whilst this exceeds the protection limit of £75,000 provided by the FCA it is accepted that it is not always practical to

find a sufficient number of investments of this size that meet the prudent criteria outlined in this policy.

- 5.2 This limit does not apply to funds held in current accounts or no-notice deposit accounts.

## **6. Spending and liquidity policy**

- 6.1 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 HoF. 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.
- 6.2 A sufficient balance must be held in the current account so that the Trust's financial commitments can always be met without the bank account(s) going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review.
- 6.3 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 the Trust.

## **7. Monitoring and review**

- 7.1 The Trust has authorised signatories, two of which are required to sign instructions to the deposit taking institution.
- 7.2 The HoF will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the FRC at appropriate intervals, depending on the terms of the investments. For example, if investments are held one year then an annual report is appropriate.

## **8. Policy status and review**

<b>Written by:</b>	Head of Finance
<b>Owner:</b>	Head of Finance
<b>Status:</b>	Approved
<b>Approval date:</b>	11/05/20
<b>Review Date:</b>	2024