



Title of Policy/Procedure	Investment Policy
Reviewer(s):	Deputy Chief Financial Officer / Management Accountant
To be read in conjunction with the following policies:	Financial Procedures, Administration and Control Policy
Consultation Process	N/a
Policy Date:	March 2023
Review Date:	May 2024 then annually
This policy has been ratified by:	The Trust Board Future reviews will be ratified by the Finance Committee

Contents

1. Purpose and scope
2. Definition of duties
3. Objectives
4. Investment strategy and counterparty risk
5. Spending and liquidity policy
6. Investment Products
7. Monitoring and Review
8. Review

Appendix 1 Ratings from Insignis Cash Solutions as at February 2023

Investment Policy

1. Purpose and scope

The purpose of the Investment Policy is to set out the processes by which the Academy Trust and its Trustees will meet their duties under the Trust Articles of Association and Academy Trust Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the Trust's charitable aims and to ensure that investment risk is properly and prudently managed.

2. Definition of duties

The Trust Articles gives the Academy Trust and its Trustees the power to “deposit or invest any funds of the Company not immediately required for the furtherance of its object (but to invest only after obtaining such advice from a financial expert as the Trustees consider necessary and having regards to the suitability of investments and the need for diversification)”.

If the management of investments is delegated to a financial expert, then it must be on the following terms:

- 2.1 The investment policy is set down in writing for the financial expert
- 2.2 Every transaction is reported promptly to the Academy Trust and its Trustees
- 2.3 The performance of investments is reviewed regularly with the Academy Trust and its Trustees
- 2.4 The Academy Trust and its Trustees are entitled to cancel the delegation arrangement at any time
- 2.5 The investment policy and the delegation agreement are reviewed at least once a year
- 2.6 All payments due to the financial expert are on a scale or at a level which is agreed in advance and are notified promptly to the Academy Trust and its Trustees on receipt, and
- 2.7 The financial expert must not do anything outside the powers of the Trustees.

The Trustees delegate the day-to-day responsibility for managing and implementing the investment policy to the Academy Trust to ensure investments are managed in accordance with this policy. The Deputy CFO/Management Accountant is responsible for producing reliable cash flow forecasts as a basis for the Academy Trust's decision making. The Deputy CFO/Management Accountant is responsible for providing regular and sufficient management information to the Academy Trust and the Finance Committee so it can review and monitor investment performance.

3. Objectives

The investment objectives are:

- 3.1. Generate additional income for the Trust in order to support its on-going charitable objectives.
- 3.2. All 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
- 3.3. To achieve the best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
- 3.4. Only invest funds surplus to operational need based on all financial commitments being met without the Trust bank account becoming overdrawn.
- 3.5. By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Academy Trust, commanding broad public support.

4. Investment strategy and counterparty risk

Investment risk will be managed through asset class selection and diversification to ensure that capital preservation takes precedence over revenue maximisation. It is expected that any surplus funds will be invested in short term cash deposits or high-grade fixed income securities.

To manage the risk of default, investments should be spread by financial institution and be subject to a maximum exposure of £500,000 with any single institution, and as such only one with a UK banking licence and regulated by the Prudential Regulatory Authority ("PRA")

and the Financial Conduct Authority ('FCA'). Whilst this exceeds the protection limit of £85,000 provided by the Financial Services Compensation Scheme, 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.

The Trust will normally only invest in 'short term' deposits with a maturity date or notice period of 12-months or less.

The risk of default of our main banking provider, Lloyds Bank, is deemed to be low. A working capital balance, equivalent to two months of payments, may be held on deposit in various interest-bearing accounts.

The Trust will only invest in instruments with a rating of "Good" or better as supplied by Insignis Cash Solutions at the time of placing a deposit, please see ratings as at February 2023 in Appendix 1.

The Trust will restrict its cash deposits to institutions that have a modern slavery policy detailed on their website.

5. Spending and liquidity policy

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 Deputy CFO/Management Accountant. The cash flow forecasts will take account of the annual budget and spending plans approved by the Trustees and updated monthly and on maturity of fixed term deposits.

A sufficient balance must be held in the current account so that the Trust's financial commitments can always be met without the risk of the current bank account going overdrawn. It should also allow enough flexibility to deal with reasonable, one-off events should they occur. The size of the balance will be determined by a forecast of future need and kept under review by the Academy Trust.

Investments for a fixed term should not normally exceed one year to provide flexibility for the following year's plans.

6. Investment Products

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:

- 6.1. Overnight (instant access)
- 6.2. Notice accounts (typically from 30-days to 100+ days)
- 6.3. Fixed term deposits (typically from 1-month to 12-months)

Investment maturity dates should not normally exceed 12-months in term.

7. Monitoring and review

The Trust has authorised signatories, who are required to sign instructions to the deposit taking institution. The opening or closing of bank accounts should be authorised in line with the current Financial Regulations Manual.

The Deputy CFO/Management Accountant will report investments held and the performance of investments against objectives to the Academy Trust and Finance Committee at appropriate intervals, depending on the terms of the investments. The reporting should include:

- 7.1. Funds invested
- 7.2. Maturity dates
- 7.3. Interest rates
- 7.4. Current market rates
- 7.5. Latest cash flows showing 12 month liquidity requirements
- 7.6. Recommendations for the next three months

8. Review

This Investment Policy has been approved by the Trust Board and shall be reviewed by the Finance Committee on an annual basis.

Appendix 1

Provided by Insignis Cash Solutions, information is as at February 2023.

Ratings comparison supplied by Insignis Cash Solutions

Rating	Moody's		S&P		Fitch	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Investment grade: Highest (Triple A)	Aaa	P-1 (Prime-1)	AAA		AAA	
Investment grade: Very high	Aa1 Aa2 Aa3		AA+ AA AA-	A-1+	AA+ AA AA-	F1+
Investment grade: High	A1 A2 A3	P-2/P-1 P-2/P-1	A+ A A-	A-1	A+ A A-	F1/F1+ F1 F2/F1
Investment grade: Good	Baa1 Baa2 Baa3	P-2 (Prime-2) P-3/P-2 P-3 (Prime-3)	BBB+ BBB BBB-	A-2 A-3	BBB+ BBB BBB-	F2 F3/F2 F3
Speculative grade: Speculative	Ba1 Ba2 Ba3	Not Prime	BB+ BB BB-	B	BB+ BB BB-	B
Speculative grade: Highly speculative	B1 B2 B3		B+ B B-		B+ B B-	
Speculative grade: Very high risk	Caa1 Caa2 Caa3		CCC+ CCC CCC-	C	CCC	C
Speculative grade: Very near to default	Ca		CC C C		CC C C	
In default	C		SD/D	D	RD/D	RD/D