



## INVESTMENT POLICY

### Purpose and scope

The purpose of the Investments Policy is to set out the processes by which trustees will meet their duties under the Academy's Articles of Association and Academies Financial 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.

### Definition of duties

The Academy's Articles (5Cm) gives Trustees the power "to deposit or invest any funds of the Company not immediately required for the furtherance of its Objects (but to invest only after obtaining such advice from a financial expert as the Directors consider necessary and having regard to the suitability of investments and the need for diversification)."

The Director of Finance is responsible for producing reliable cash flow forecasts as a basis for decision making. They are responsible for recommending investment decisions that comply with this Policy and for providing sufficient management information to the Finance and Estates Committee so it can review and monitor investment performance.

### Objectives

The investment objectives are:

- to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
- Only invest funds surplus to operational need based on all financial commitments being met without the Trust bank account 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.

### Investment strategy

Professional advice will be sought before any investment decision is taken (other than when investing in Lloyds deposit accounts). Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximisation.

For selection, assets will only be considered with authorised (Financial Services Authority) banking institutions which have credit ratings assessed to show good credit quality. An appropriate credit rating agency will be consulted to obtain credit ratings.

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

### **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 Director of Finance. The cash flow forecasts will take account of the annual budget and spending plans approved by the Trust Board and updated on a monthly basis.

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 going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review.

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 Academy.

Investments that are judged to be novel, contentious and/or repercussive will require ESFA prior approval.

### **Monitoring and review**

The Trust has authorised signatories, two of which are required to sign instructions to the deposit taking institution.

The Director of Finance will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Finance and Estates Committee at appropriate intervals, depending on the terms of the investments. For example, if investments are held one year then an annual report is appropriate.

This Investment Policy has been approved by the Finance and Estates Committee. It will be reviewed by the Finance and Estates Committee on an annual basis to ensure continuing appropriateness.

APPROVED BY: Full Board

DATE APPROVED: 10 November 2018

REVIEW DATE: By 31 December 2019