

Investment Policy



Approved by: Governing Body

Date: 6th November 2023

Last reviewed: 6th November 2023

Next review due: November 2024

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1. Principles

- 1.1 The Duston Education Trust (TDET) aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, TDET aims to invest surplus cash funds to optimise returns, but ensuring the investment instruments are such that there is no risk, or very low acceptable risk, to the loss of these cash funds.

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 Academy 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 Academy.

2 Purpose

- 2.1 To ensure adequate cash balances are maintained in instant access bank accounts to cover the day-to-day working capital requirements of the academy
- 2.2 To ensure there is no risk, or very low acceptable risk, of loss in the capital value of any cash funds invested.
- 2.3 To protect the capital value of any invested funds against inflation.
- 2.4 To optimise returns on invested funds for the benefit of the TDET's charitable aims and objectives.

3 Banks

- 3.1 TDET is authorised to invest funds only in banks authorised and monitored by the Bank of England Prudential Regulation Authority.
- 3.2 If a bank or building society authorised by the Bank of England Prudential Regulation Authority is unable to pay back deposits held with it, the Financial Services Compensation Scheme (FSCS) can pay 100% of the first £85,000 of an eligible depositors claim, per authorised institution. The list of authorised institutions and those considered acceptable to use, is provided at the following web address
<http://www.bankofengland.co.uk/pru/Pages/authorisations/fscs/bankingandsavings.aspx>
- 3.3 Main (Day-to Day) Banking Arrangements:
- 3.3.1 TDET holds a current account with Lloyds
- 3.3.2 A system operates between the academy and Lloyds Bank to enable movement between current and deposit accounts held by the trust.
- 3.3.8 TDET Finance department are responsible for making the relevant postings to these nominal accounts

4 Cash flow Monitoring

- 4.1 Regular cash flow projections are to be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and outstanding supplier creditors together with any other commitments to other interested parties and/or statutory payment commitments to authorities or government agencies.
- 4.2 The cash flow forecasting will identify a protected base level of working capital, below which the alternative 'Investment Instruments' described below cannot apply.

5 Investment Management

- 5.1 Surplus cash identified above the base level of working capital can be invested via the following instruments:
 - 5.1.1 Interest bearing 32 day Notice accounts with Lloyds Bank
 - 5.1.2 Interest bearing 95 day Notice accounts with Lloyds Bank
 - 5.1.3 Interest bearing fixed term deposit accounts with Lloyds Bank
 - 5.1.4 Interest bearing instant savings account with Lloyds Bank

6 Deposit Time Periods/Limits

- 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 Finance Officer. Surplus cash can be deposited in locked investment funds for periods between one to 12 months under this policy. If deposits are to exceed periods longer than 12 months this must be authorised by the TDET Board of Trustees with a prior recommendation from the TDET Chief Financial Officer.
- 6.2 Periodically (at least every 6 months) the Chief Financial Officer will review the interest rates being achieved and will compare with other investment instruments that comply with the requirements of this policy.

7 Interest

- 7.1 Interest earned on the Lloyds Notice/ Deposit accounts will be reinvested in the academy.

8 ESFA and Charity Commission Requirements

- 8.1 All investments must comply with the requirements set out in the ESFA Academies Trust Handbook 2.2.5 Investments (detailed below).
- 8.2 The board of trustees may invest to further the trust's charitable aims, but must ensure investment risk is properly managed. When considering an investment the board must:
- act within its powers to invest as described in its articles
 - have an investment policy to manage and track its financial exposure, and ensure value for money
 - exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
 - ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
 - ensure investment decisions are in the trust's best interests
 - review the trust's investments and investment policy regularly.
- 8.3 The board should follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. ESFA's approval must be obtained for novel, contentious and/or repercussive investments.

9 Monitoring and Review

- 9.1 The Academy has authorised signatories, two of which are required to sign instructions to the deposit taking institution.
- 9.2 The Chief Finance Officer will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Resources and Audit 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 Resources and Audit Committee. It will be reviewed by the Resources and Audit Committee on an annual basis to ensure continuing appropriateness.

10 Links to other Policies / Documents

Articles of Association
Academy Trust Handbook
Academies Accounts direction
Scheme Of Delegation
Financial Regulations