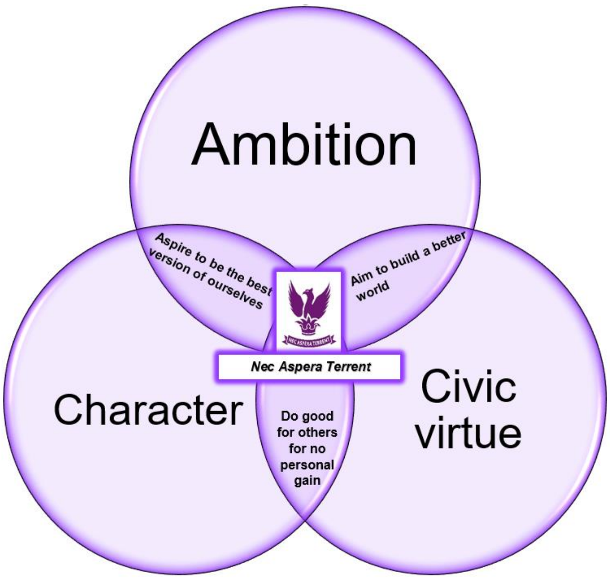
DRAYTON MANOR HIGH SCHOOL

INVESTMENT POLICY



Last Reviewed – September 2024
Next Review – September 2025
Last Ratified – December 2024
Next Ratification – December 2025

This Investment Policy is designed to apply only to short term cash-based deposits and does not apply to any strategy that may be in place or put in place for investing in 'capital at risk'. This Policy is based on the Academy Trust Handbook and guidance from the Charity Commission and complies with our Funding Agreement and Articles of Association.

This Policy aims to ensure that
- the Trust's funds are used only in accordance with the law, its Articles of Association, its Funding Agreement and the Academy Trust Handbook
- the Trust's funds are used in a way that commands broad public support
- value for money (economy, efficiency and effectiveness) is achieved
- the Trustees fulfil their duties and responsibilities as Charitable Trustees and Company Directors

The Academy Trust Handbook (paragraph 2.22) states that Academy Trusts are required to have an Investment Policy to
- manage and track their financial exposure
- ensure value for money

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 will

- act within their power to invest, as set out in the Articles of Association
- ensure that investment risk is properly managed
- exercise caution in all investments, reducing risk and ensuring that the Trust acts with the utmost integrity
- 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
- ensure that exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- ensure that all investment decisions are in the best interests of the Trust and command broad public support
- seek prior approval from the Education and Skills Funding Agency (ESFA) for investment transactions that are novel, contentious or repercussive.

Novel transactions are those of which the Academy Trust has no experience or are outside the range of normal business activity for the trust.

Contentious transactions are those which might give rise to criticism of the Trust by parliament, the public or the media.
Repercussive transactions are those likely to cause pressure on other Trusts to take a similar approach and hence have wider financial implications.

1. **Responsibility**

   The Trustees delegate the day-to-day responsibility of managing and implementing the Investment Policy to the Headteacher and the Chief Financial Officer (CFO), further noted as the Director of Finance, to ensure investments are managed in accordance with this policy and regularly monitor how the Trust's investments are performing.

2. **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 ongoing 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.

3. **Counterparty Risk**

   Following the banking crisis of 2008, The Bank of England have, through the Financial Services Authority (FSA) and, latterly, the Financial Conduct authority (FCA) and Prudential Regulation Authority (PRA), implemented changes to banking regulations and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system.
   As such, the Trust can only make cash deposits with institutions holding a UK banking licence regulated by the FCA.

4. **Counterparty Restrictions**

   The Trust will only make deposits with institutions bearing an Investment Grade "Good" or better credit rating.

   These ratings include
   - Baa3 / P-3 or better (Moody's) or
   - BBB- / A-3 or better (S&P) or
   - BBB- / F3 or better (Fitch) or
   - An implied rating of BBB- or better

   The Credit rating or Implied Credit Rating will be checked at the time of placing a deposit with a new bank.

   It is worth noting that Implied Credit Ratings are usually the 'long term' position, however the Trust will only be depositing in 'short term' products with a maturity date or notice period of 12 months or less.

The Trust will further reduce its counterparty risk by having funds with at least two institutions.

Ratings comparison supplied by Insignis Cash Solutions

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

5. 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 account becoming overdrawn. It should also allow enough flexibility to deal with reasonable, one-off events should they occur.
Under phase two of the implementation of this policy, 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.

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

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

- 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

7. Investment Decisions

The Director of Finance is responsible for producing reliable cash flow forecasts as a basis for decision making. Further, the Director of Finance 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.
Risk is managed through diversification of investments, ensuring that the security of funds takes precedence over revenue maximisation.

8. Operational Procedures, Monitoring & Reporting

The following people hold authorised access and rights to the cash management portal

- Headteacher – signatory
- Director of Finance – administrator
- Chair of Governors – view only
- Chair of BFAP – view only

Before any funds are invested, the authorised signatory will sign to indicate they agree to the investments that the Director of Finance has proposed. An investment authorisation form can be found in appendix 1.

The following information will be recorded about investments

- date
- amount and description of the investment
- length of investment
- Interest rates/expected return

The Director of Finance will review interest rates and compare them with other investment opportunities regularly.

Cash flow and current account balances will be monitored regularly by the Director of Finance to ensure immediate financial commitments can be met and that the current account has adequate balances to meet forthcoming commitments.

Investments will range from easy access deposits to fixed term accounts that do not exceed 12 months unless there is a clear rationale for longer-term investment that would benefit the Trust.

A maximum of £85,000 will be placed with any single financial institution. This is because only the first £85,000 of an investment is protected by the Financial Services Compensation Scheme.

Funds and any interest earned on those funds will be automatically reinvested unless money is required for immediate or anticipated expenditure.

The Director of Finance will monitor the implementation of this policy and report investments held and the performance of investments against objectives to the Business, Finance, Audit and Personnel Committee for review on a termly basis. The reporting should include

- funds invested
- maturity dates
- interest rates
- latest cash flows showing 12 month liquidity requirements
- recommendations for future periods

9. Review

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

Phase two of the investment plan will monitor when excess funds in the current account, surplus to immediate cash requirements, are utilised to invest on a short term (easy access) basis to earn higher interest rates than those earned from the Trust’s current account. When moving to phase two, surplus funds will only be invested in institutions carrying a better Fitch credit rating than the Trust’s current main holding bank.

Trustees accept the risk associated with surplus cashflow remaining in the Trust’s current bank account due to the level of long-term credit rating of A+ as of 12 March 2024.

10. Cash Holding

The Trust must ensure it holds a contingency reserve from its annual GAG funding and other income. This is calculated based on 5% of annual revenue income, plus one month's aggregate salary and asset reserves retained for emergencies totalling a target level of 16% of revenue income. In exceptional circumstances, and when major future capital projects are planned, the Academy may exceed this target percentage and reasons for this will be reflected in strategic documentation.

Furthermore, the Trustees require a revenue reserve to be created and maintained to fund future expenditure relating to the Academy's development plans and strategic long term goals.

11. Appendix 1: Investment Authorisation Form

DATE INVESTMENT MADE		DURATION OF INVESTMENT	
AMOUNT			
INTEREST RATE		EXPECTED RETURN	
DESCRIPTION OF INVESTMENT			
DETAILS OF WHERE THE INVESTMENT IS HELD			
ADMINISTRATOR NAME - PRINT		SIGNATORY NAME - PRINT	
SIGNATURE		SIGNATURE	
DATE		DATE	