





EPA Investment Policy

THIS POLICY WAS AGREED BY TRUSTEES ON (Date):	21 st November 2024
REVIEW DATE (every 3 years):	November 2027
CHAIR OF TRUSTEES:	
CEO:	

Aims

This policy aims to ensure that:

- The academy trust's funds are used only in accordance with the law, its articles of association, its funding agreement, and the Academies Financial Handbook
- The trust's funds are used in a way that commands broad public support.
- Value for money (economy, efficiency, and effectiveness) is achieved; and
- Trustees fulfil their duties and responsibilities as charitable trustees and company directors.

Legislation and guidance

The Academy Trust Handbook allows investment on the understanding that the board of trustees:

- act within their powers to invest as set out its articles;
- have an investment policy to manage, control and track their financial exposure, and ensure value for money;
- exercise care and skill in all investment decisions, taking advice as appropriate from a professional advisor;
- ensure exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation;
- ensure that all investment decisions are in the trust's best interests review the trust's investments and investment policy regularly; and
- follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees. ESFA's prior approval must be obtained for investment transactions which are novel, contentious and/or repercussive.

The Academy Trust Handbook states that academy trusts are required to have an investment policy to manage, control and track their financial exposure and to ensure value for money.

This policy is based on the Academy Trust Handbook and guidance from The Charity Commission. This policy also complies with our funding agreement and articles of association.

Objectives

To identify a level of funds that can be placed on deposit to generate additional interest income for the Trust to support its on-going 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.

Counterparty risk

Following the Banking Crisis in 2008, The Bank of England have (through the FSA and latterly, the FCA) implemented changes to stress testing and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system.

As such, the Trust can only make deposits with Banks or Building Societies with a UK banking licence and regulated by the FCA and PRA.

Risk is managed through diversification of investments, ensuring that the security of funds takes precedence over revenue maximization.

Roles and responsibilities

a. Academy trustees

Academy trustees will ensure that investment risk is properly managed. When considering whether to make an investment, trustees will:

- Act within their powers to invest, as set out in our articles of association.
- Exercise caution in all investments, reducing risk and ensuring that the trust acts with the utmost integrity.
- Take investment advice from a professional adviser, as appropriate.
- Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximization; and
- Ensure that all investment decisions are in the best interests of the trust and command broad public support.

Trustees will seek prior approval from the Education and Skills Funding Agency for investment transactions that are novel or contentious. 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, and the media.

b. Finance and Resources Committee

Academy trustees delegate responsibility for the trust's investments to the finance and resources committee.

The committee is responsible for:

- Controlling and tracking financial exposure
- Reviewing the trust's investments; and
- Reporting to trustees on investments.

The Chief Financial Officer (CFO) will report investments held and the performance of investments against objectives to the Finance & Resources Committee for review ***each time it meets or when requested to do so***. The reporting should include:

- Funds invested.
- Maturity dates
- Interest rates
- Current market rates
- Blended returns achieved against expected performance and policy benchmarks.

- Latest cash flows showing 12-month liquidity requirements.

Recommendations for the next **3 months**.

c. The Chief Financial Officer

The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the Chief Financial Officer (CFO) to ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing. The Chief Financial Officer (CFO) is responsible for producing cash flow forecasts as a basis for decision making and providing information to the finance committee and academy trustees, as appropriate.

Investment principles

Funds are invested with regards to the EPA Reserves policy and 3-year Financial plans. The Trust should ensure that a sufficient balance must be held across accounts with instant access so that the Trust's financial commitments can be met without the risk of the current account going overdrawn. It should also allow enough flexibility to deal with reasonable, one-off events should they occur. Funds will be placed in bank accounts with a withdrawal notice of no more than 32 days unless prior approval is agreed by the Finance and Resources Committee.

It is the Trustees' belief that it should be anticipated that the trust will have surplus cash available, both as a result of cashflow planning and also the implementation of a reserves policy that maintains a suitable amount of reserves. Such surplus cash should be invested to ensure that the trust receives an acceptable income stream without putting at risk the funds that belong to the trust.

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) with a reputable UK based banking provider to earn higher interest rates than the current account and 32-day account, but to stagger easy access to funds over the year to meet cashflow requirements. These accounts include:

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

Investments should not exceed 12-months in term.

Reputable is defined as those with a "good" or better credit rating or implied credit rating (also known as Investment grade), the Trust will deposit a maximum of £500,000 (plus interest accrued) 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 Trust will use a savings platform, currently Insignis in order to spread their investment more easily over different providers and at different maturity dates. Credit rating or Implied Credit Rating will be checked with Insignis 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 by depositing 'short term' in deposits with a maturity date or notice period of 12-months or less.

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.

Risk is managed through diversification of investments, ensuring that the security of funds takes precedence over revenue maximization.

Procedures

The bank mandate lists the people authorised to make investments, along with the Academy Finance Manager. The Finance and Resources Committee must agree before any funds are invested, which have more than the 32-notice period.

The following information will be provided about investments:

- Date to be invested.
- Amount and description of the investment
- Length of investment
- Interest rates/expected return.

The CFO will review interest rates and compare them with other investment opportunities annually.

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

When there are funds surplus to immediate cash requirements in the current account, these will be transferred to an account with a higher interest rate.

Investments will normally be for a fixed term that does not exceed one year unless there is a clear rationale for longer-term investment that would benefit the trust.

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

Overdrafts

The trust should avoid becoming overdrawn on any of its accounts, otherwise it may be required to report its cash position to the ESFA.

Monitoring arrangements

The CFO monitors the implementation of this policy.

This policy will be reviewed and approved by the academy trustees every 3 years or when regulations change.