



# QUANTOCK

## EDUCATION TRUST

### Investment policy

LINKS:	Financial Procedures, Administration & Control Policy,
DATE:	May 2023
POSTHOLDER RESPONSIBLE:	Director of Finance & Operations
TRUSTEES COMMITTEE:	Finance, Operations & Audit
AUDIENCE:	All members of the Trust Committee
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## **1 Background**

- 1.1 The Education Funding Authority (EFSA) acknowledges that Academies are able to make investments and these investments can be a good source of funding, but can also expose schools to risks.
- 1.2 A financial investment is when an investment of funds is made to get the best financial return within the level of risk considered to be acceptable. The Charity Commission advises that Trustees have several legal responsibilities when making financial investments.
- 1.3 They must:
- Know and act within their powers to invest.
  - Exercise care and skill when making investment decisions.
  - Select investments that are right for the school. This means taking account of:
    - The suitability of any investment in relation to the school's needs.
    - The need to manage risk and consider suitable diversification.
  - Take advice from someone experienced in investment matters unless they have good reason for not doing so.
  - Follow certain legal requirements if they are going to use someone to manage investments on their behalf.
  - Review investments periodically.
  - Explain their investment policy in their annual report.
- 1.4 Trustees must be clear about what they aim to achieve through financial investment. They must consider exactly what they want to do, how they intend to do it and what the timescale will be. They must also consider the QET's long and short term financial commitments as well as its expected income.
- 1.5 The Trust's Articles of Association permit the Trustees to make investments.

## **2 Risk**

- 2.1 A certain degree of risk is associated with all investments and Trustees must do all they can to manage risk levels. Before any investment decisions are made, Trustees must consider the level of risk they are able to accept. They must be satisfied with the overall level of risk they are taking.

## **3 Policy Statement**

- 3.1 This policy governs the investment strategy of the Quantock Education Trust and all establishments that constitute the company. The charitable funds of The Trust are derived from direct government grants and these funds are defined as restricted. Additional charitable funds may be generated through the operational nature of the Trust's work, such as providing education, training and development; these funds are defined as unrestricted.

- 3.2 The trustee of these funds is the Trust, managed by its Board of Trustees. Therefore, there is a sole corporate body/trustee with responsibility for managing and administering the assets of the charitable funds and investments.
- 3.3 The management of charitable funds and investments will comply with the requirements of the:
- Charities Act 2011;
  - Trustee Act 2000;
  - Financial Services and Markets Act (FSMA) 2000; and the
  - Charity Commission Guidance Notes CC14
  - Education Funding Agency Academies Financial Handbook (currently in force)
- 3.4 The Quantock Education Trust takes a prudent approach to managing the public money entrusted to them. They will carefully invest any money that is not required to cover anticipated expenditure and take steps to manage the risk associated with financial investments.

#### **4 Scope of Policy**

- 4.1 This policy applies to all Trustees, Academy Representatives and employees of The Trust; a breach of the investment policy and procedure may result in disciplinary action.
- 4.2 The Finance, Operations & Audit Committee of the Trust is responsible for monitoring adherence to this policy, the appointment of investment advisors/managing agents, and for deciding changes between the proportions of funds invested in common investment funds and/or liquid investments (Cash Deposits).
- 4.3 The Accounting Officer and Director of Finance & Operations (DFO) are responsible for ensuring that the policy is followed for all investments held.
- 4.4 The DFO is authorised to withdraw and deposit funds from and into liquid investments (Cash Deposits) to meet immediate working capital requirements.

#### **5 Objectives**

- 5.1 The investment objectives are:
- To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements
  - Only invest funds surplus to operational need based on all financial commitments being met without the Trust's bank account becoming overdrawn;
  - To ensure there is no risk of loss in the capital value of any cash funds invested;
  - To protect the capital value of any invested funds against inflation;
  - To optimise returns on invested funds
- 5.2 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.

## 6 Strategic plan

- 6.1 Adequate cash balances must be maintained to ensure that there are always sufficient funds in each Academy's current account to cover financial commitments such as payroll and day-to-day expenses. Surplus funds not needed within an initial 90-day period will be considered for investment in line with cash flow forecasts.
- 6.2 Short term funds expected to be required within a 12-month period should be held in liquid investments and invested in tranches of up to £100,000, after approval from the DFO. It may be beneficial to invest each tranche with a different financial institution. Funds, and any interest they earn, will be automatically reinvested, unless they are required for immediate or anticipated expenditure.
- 6.3 When selecting a suitable investment, the financial strength of the financial institution should be considered within the assessment of the overall suitability. The Finance Operations & Infrastructure Committee has agreed that suitable banks will have a credit rating of no lower than BBB or building societies should have group assets of £2,000m or above.
- 6.4 Investment risk will be managed through asset class selection and diversification with the aim of ensuring that security of deposits takes precedence over revenue maximisation. For selection, assets will only be considered with banking institutions which have credit ratings assessed by Fitch and or Moody to show good credit quality. The Trust is able to invest any excess funds (over and above the required day to day funds) in the following types of investment:
- Cash Management accounts;
  - Term deposit accounts or instant access deposit account;
  - Accepted or endorsed bills of exchange;
  - Negotiable, convertible or transferrable certificates of deposit;
  - Money market funds
- 6.5 The investment of academy funds in shares or other financial products is not allowed due to the higher risk attached to these investments.

## 7 Implementation

- 7.1 Funds can be invested as follows:

<u>Period of time funds held on deposit:</u>	<u>Authorisation required:</u>
Up to eight weeks	Director of Finance and Operations (DFO)
Over eight weeks up to 12 months	Chief Executive Officer (CEO) & DFO
Over twelve months	Chair of Board of Trustees, CEO & DFO

- 7.2 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, Operations and Audit Committee. The cash flow forecasts will take account of the annual budget and spending plans approved by the Board of Trustees 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.

- 7.3 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 Trust.

## **8 Recording, Monitoring and evaluation**

- 8.1 The Director of Finance & Operations or delegated person will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Finance Operations and Audit Committee at appropriate intervals, depending on the terms of the investments. For example, if investments are held for one year then an annual report is appropriate.

- 8.2 Actions taken will be reported to the Board of Trustees biannually and the Trust's annual report and financial statements will describe the investment policy used to select the Trust's investments as well as reporting on the performance of investments.

- 8.3 The Director of Finance & Operations will maintain a register of all investments / deposits held which will record:

- Institution with which the deposit was made
- Date deposit was placed
- Amount deposited
- Date of maturity
- Amount returned
- Interest earned
- Rate of interest obtained
- Authorisation for the transaction

- 8.4 Recording and monitoring

Bank balances and all investments/deposits will be reconciled and balanced to the academy's accounting records every month.

- 8.5 Limits and authority

The Trustees reserve the power to:

- give prior approval to the opening of new bank current accounts
- select and approve the financial institutions where investments/deposits may be held
- give prior approval to any bank deposit with a maturity date of greater than three months
- give prior approval to any investment product other than a bank deposit

- 8.6 The Trustees delegate power to the Accounting Officer or Director of Finance & Operations to place deposits in the Trust's name, at approved institutions, subject to the agreed limits. No deposits will be placed by the Accounting Officer or the Director of Finance & Operations without prior authorisation by the bank signatories subject to their

relevant limits. Deposits will be confirmed in writing after the event by the bank. Authorised cheque / bank transfer signatories of the academy are set out in the Academy Financial Manual and the Bank Mandates. Any changes in the authorised signatories must be approved by Trustees.

## **9 Policy Review**

- 9.1 This policy will be actively reviewed and changes applied to reflect the nature of The Trust's operations, beneficiaries, and operating environment.

## Appendix A

Extract of Articles of Association Section 5 (points m, n & o)

The Board of Trustees is authorised:

- 5M 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 regard to the suitability of investments and the need for diversification);
- 5N To delegate the management of investments to a Financial Expert, but only on terms that:
- (i) the investment policy is set down in writing for the Financial Expert by the Trustees;
  - (ii) every transaction is reported promptly to the Trustees;
  - (iii) the performance of the investments is reviewed regularly with the Trustees;
  - (iv) the Trustees are entitled to cancel the delegation arrangement at any time;
  - (v) the investment policy and the delegation arrangement are reviewed at least once a year;
  - (vi) 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 Trustees on receipt; and
  - (vii) the Financial Expert must not do anything outside the powers of the Trustees;
- 5O To arrange for investments or other property of the Company to be held in the name of a nominee company acting under the control of the Trustees or of a Financial Expert acting under their instructions, and to pay any reasonable fee required;