



# QUANTOCK

## EDUCATION TRUST

### Investment policy

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DATE:	May 2025
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 (EFA) acknowledges that Academies can 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 (see appendix A).

## **2 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 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.
- Trustees fulfil their duties and responsibilities as charitable trustees and company directors.

## **3 Legislation and guidance**

The Academy Trust Handbook states that academy trusts are required to have an investment policy to:

- Manage and track their financial exposure.
- Ensure value for money.

This policy is based on the Academy Trust Handbook and guidance from The Charity Commission. This policy also complies with the QET funding agreement and articles of association (see appendix A).

## **4 Roles and responsibilities**

### **4.1 Trustees**

Trustees will ensure that investment risk is properly managed. When considering whether to make an investment, the Trust 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 school acts with the utmost integrity.
- Take investment advice from a professional adviser, as appropriate.
- 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 school
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The Trust will 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 for the trust.

Contentious transactions are those which might give rise to criticism of the trust by parliament, the public and the media.

Repercussive transactions are those likely to cause pressure on other trusts to take a similar approach and hence have wider financial implications.

### **4.2 Finance Operations and Audit Committee (FO&A)**

The Trust Board delegates responsibility for the trust's investments to the FO&A committee. The committee is responsible for:

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

### **4.3 The Chief Finance Officer**

The Director of Finance and Operations, who is the chief financial officer (CFO) for the trust, is responsible for:

- Making day-to-day decisions on cash management, deposits or money-market deposits.
- Point of contact with the bank for deposits
- Producing ROI analysis, cash flow statements and forecasts as required. The return generated from assets under deposit/investment will be monitored against benchmark rates and appropriate market indices (e.g. inflation).

The CFO also provides information to the Finance and Operations Committee and Trustees, as required.

## **5 Investment principles**

### **5.1 General principles**

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;
- ensure there is no risk of loss in the capital value of any cash funds invested;
- protect the capital value of any invested funds against inflation;
- optimise returns on invested funds

For long term reserves the additional objectives are to:

- protect against inflation over the long term whilst generating an income to support the on-going activities of the Trust.
- preserve the capital value with a minimum level of risk and ease of access to liquidity. Sufficient assets should be readily available to meet day-to-day payments and unanticipated cash flow requirements; thus avoiding the risk of becoming over-drawn.

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.

The Trust has an annual income of approximately £18 million (realising growth could increase income substantially within a 2-3 year timeframe). The Trust has reserves of approximately £2 million. A portion of these can be identified as long-term 'minimal' reserves (£1.0 million) with the remainder being defined as operational reserves to meet anticipated cash flow and budget needs.

Operational reserves include funds remitted to the Trust each month to fund day-to-day activities. The Trust seeks to produce the best financial return within an acceptable level of risk.

- In the event Trustees elect to invest funds using an external professional manager, a target income will be agreed on an annual basis to enable effective budgeting.

### **5.2 Attitude to risk**

Security of funds should always take precedence over revenue maximization. The key risk to the long-term reserves is inflation, and the assets should be invested to mitigate this risk. The trustees understand that subject to taking external independent advice this may mean that investment will be concentrated in real assets and that the capital value will fluctuate. The operational reserves are held to provide financial security, and may be required at short notice. As such, capital volatility cannot be tolerated and investment of these assets should be focused on minimising this. Unless an external professional advisor has been appointed to advise the Trust, cash balances should be deposited via the Trusts principle banking provider utilising money market funds and fixed-term deposits.

### 5.3 Liquidity requirements

Due to the nature of the reserves, the Trustees wish to keep all operational reserves in deposits or investments that are realisable within one year or less. To ensure sufficient funds are always available to meet the liabilities of the Trust as they fall due, the Trust should aim to hold at least one-month equivalent annual expenditure in either instant access accounts or deposits for up to a maximum of seven days. Long-term reserves must be realisable within twelve months.

### 5.4 Assets

The Trust's assets can be invested widely. Asset classes could include cash, bonds, equities and any other asset that is deemed suitable to achieve the Trust's investment objectives and does not contravene rules stated in the Academy Trust Handbook. In the event the Trust chooses to appoint an external manager the Finance and Operations Committee is charged with agreeing a suitable asset allocation strategy for the reserves.

## 6 Policy Statement

- 6.1 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.
- 6.2 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.
- 6.3 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.

## 7 Strategic plan

- 7.1 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.
- 7.2 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.
- 7.3 When selecting a suitable investment, the financial strength of the financial institution should be considered within the assessment of the overall suitability. The FO&A 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.

- 7.4 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 that are regulated by the Financial Conduct Authority with good credit ratings of no lower than BBB or building societies should have group assets of £2,000m or above.

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

- 7.5 The investment of academy funds in shares or other financial products is not allowed due to the higher risk attached to these investments.

## **8 Implementation**

- 8.1 Funds can be invested as follows:

<u>Period of time funds held on deposit:</u>	<u>Authorisation required:</u>
Up to eight weeks	Finance Manager in consultation with the Director of Finance and Operations (DFO) /Director of Finance
Over eight weeks up to 6 months	DFO/DoF
Over 6 months to 12 months	DFO and CEO
Over twelve months	Chair of Board of Trustees, CEO & DFO/DoF

- 8.2 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 monthly.

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.

- 8.3 Investments for a fixed term should not normally exceed one year 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.

## **9 Recording, Monitoring and Evaluation**

- 9.1 The DFO 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 FO&A

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.

9.2 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.

9.3 The DFO/DoF 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

9.4 Recording and monitoring

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

9.5 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

9.6 The Trustees delegate power to the Accounting Officer or DFO/DoF 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.

## **10 Policy Review**

This policy will be reviewed every two years and approved by the FO&A Committee or more frequently should there be a change in anticipated income and reserves.



## 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;