



# EBOR ACADEMY TRUST

Policy Number

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Investment Policy

**Approved By:** Ebor Academy Trust Finance Scrutiny Committee

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## **1. Purpose and scope**

The purpose of the Investments Policy is to set out the processes by which Trustees will meet their duties under the Academy's Articles of Association and Academies Trust Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the Academy's charitable aims and to ensure that investment risk is properly and prudently managed.

## **2. Definition of duties**

The Academy's Articles gives Trustees the power 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 regards to the suitability of investments and the need for diversification).

If the management of investments is delegated to a financial expert then it must be on the following terms:

- 2.1 the investment policy is set down in writing for the financial expert
- 2.2 every transaction is reported promptly to the Trustees
- 2.3 the performance of investments is reviewed regularly with Trustees
- 2.4 the Trustees are entitled to cancel the delegation arrangement at any time
- 2.5 the investment policy and the delegation agreement are reviewed at least once a year
- 2.6 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
- 2.7 the financial expert must not do anything outside the powers of the Trustees,

The Finance Director is responsible for producing reliable cash flow forecasts as a basis for decision making. They are responsible for making investment decisions that comply with this Policy and for providing sufficient management information to the Finance Scrutiny Committee so it can review and monitor investment performance.

## **3. Objectives**

The investment objectives are:

- 3.1 to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.
- 3.2 Only invest funds surplus to operational need based on all financial commitments being met without the Academy bank account becoming overdrawn.
- 3.3 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, commanding broad public support.

#### **4. Investment strategy**

Investment risk will be managed through asset class selection and diversification to ensure that security of investments and deposits takes precedence over revenue maximisation.

To manage the risk of default, investments should be spread by banking institution and be subject to a maximum exposure of £500,000 with any PRA authorised institution by the Bank of England (refer to Financial Conduct Authority (FCA)). Whilst this exceeds the protection limit of £85,000 provided by the Financial Services Compensation Scheme it is accepted that it is not always practicable to find a sufficient number of investments of this size that meet the prudent criteria outlined in this policy.

The risk of default of our main banking provider, Lloyds Bank, is deemed to be negligible. A working capital balance, equivalent to two months of payments, may be held upon deposit in various interest bearing accounts.

#### **5. Spending and liquidity policy**

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 Director. The cash flow forecasts will take account of the annual budget and spending plans approved by the Trustees and updated on a monthly basis.

A sufficient balance must be held in the current account so that the Academy'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.

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 Academy.

#### **6. Monitoring and review**

The Academy has authorised signatories, which are required to sign instructions to the deposit taking institution.

The Finance Director will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Finance Scrutiny 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 Finance Scrutiny Committee. It will be reviewed by the Finance Scrutiny Committee on an annual basis to ensure continuing appropriateness.