

Alcester Grammar School

Investment Policy

Approved by:

Governing Board

Date: 08 February 2024

Next review due by:

February 2025

Investment Policy

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.

The Academy Trust Handbook states: The board of trustees may invest to further the trust's charitable aims, but must ensure investment risk is properly managed.

When considering an investment the board must:

- have an investment policy to manage and track its financial exposure, and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure exposure to investment products is tightly controlled so security of funds takes precedence over revenue maximisation
- ensure investment decisions are in the trust's best interests
- review the trust's investments and investment policy regularly.

The ESFA does not set a required level of reserves. Trustees decide the level of reserves to hold that is appropriate for the individual circumstances and priorities of their trust – and should review this regularly to ensure that they continue to meet the needs of pupils.

1. Responsibility

The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the Finance & Operations Director to ensure investments are managed in accordance with this policy and monitor regularly 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 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.

3. Counterparty risk

Following the Banking Crisis in 2007-2008, The Bank of England have (through the FSA and latterly, the FCA and PRA) 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 cash deposits with institutions with a UK banking licence and regulated by the FCA and PRA.

4. Counterparty Restrictions

For Institutions with an Investment Grade “good” or better credit rating or implied credit rating the Trust can **deposit a maximum of £1,000,000 (plus interest accrued) in any one institution.**

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

See Appendix 01

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 by depositing **‘short term’ in deposits with a maturity date or notice period of 12-months or less.**

If an institution has a lower credit rating than that detailed above, the Trust will deposit a maximum of £85,000 (plus interest accrued).

It is recognised that the Trust’s current account balance(s) may exceed the deposit limits stated above. For the purpose of this investment policy, current account balances are excluded from the counterparty limits detailed above.

5. Assessing liquidity needs

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.

The Trust’s cash flow forecasts will dictate how much is available for investment and for how long. The cash flow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

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.

7. Investment Decisions

The Finance & Operations Director is responsible for producing reliable cash flow forecasts as a basis for decision making.

The Finance & Operations Director 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.

8. Monitoring & Reporting

The Finance & Operations Director will report investments held and the performance of investments against objectives to the **Risk & Audit Committee for review each time it meets or when requested to do so.**

The reporting should include:

- Funds invested
- Maturity dates
- Interest rates
- Latest cash flows showing 12-month liquidity requirements
- Recommendations for the next **3 months.**

9. Review

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

Appendix 01

Ratings comparison supplied by Insignis Cash Solutions

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