



## The Kemnal Academies Trust

### Investment Policy

Department owner:	Finance
Policy effective from:	February 2023
Policy duration:	Three Years <sup>1</sup>
Next review date:	January 2026
Mandated adoption required	Yes
Upload to website required	No

---

<sup>1</sup> Significant variations to this policy will be circulated via formal addendum if released before the next review date.

# Contents

1. [Purpose of Policy](#)
2. [Statement of Intent](#)
3. [Scope of Policy](#)
4. [Reporting Obligations](#)
5. [Other TKAT Documents to be used in conjunction with this policy](#)

### **Purpose of Policy:**

The purpose of the Treasury and Investment Policy is to set out the processes by which The Kemnal Academy Trust (TKAT) Trustees will meet their duties under the Academy's Articles of Association and Academy Trust Handbook issued by the Education & Skills Funding Agency (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.

This policy covers how the Trust will invest its surplus cash funds to ensure that maximum interest returns are consistent with the Trust's risk appetite and achieves value to be reinvested into services for the benefit of its academies.

This policy applies to Members, Trustees and Senior Executives across the Trust.

### **Statement of Intent:**

The Trust recognises the gravity surrounding any decisions taken regarding investments. It pledges to ensure that investment products and decisions are tightly controlled so that security of funds takes precedence over revenue maximisation.

### **Scope of Policy:**

The chief investment objective is to optimise the returns that can be received so as to generate funds for the benefit of the Trust. The Trust does not prescribe an overall return expectation and is not using investments to fund particular projects or ongoing business expenditure.

Only monies surplus to operational need based on all financial commitments being met without the Trust becoming overdrawn are considered for investment. By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the interest of the Trust, commanding broad public support.

The Education & Skills Funding Agency reaffirms that the Trust may invest to further their trust's charitable aims in line with the below but must ensure that investment risk is properly managed. When considering an investment the Trust must:

1. act within its powers to invest as set out in its articles
2. have an investment policy to manage and track its financial exposure, and ensure value for money
3. exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser

4. ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation
5. ensure that investment decisions are in the best interests of the trust
6. review the trust's investments and investment policy regularly

The Trust's Articles gives Trustees the power "to expend the funds of the Trust in such manner as they shall consider most beneficial for the achievement of the Objects and to invest in the name of the Trust such part of the funds as they may see fit and to direct the sale or transposition of any such investments and to expend the proceeds of any such sale in furtherance of the Objects."

The Trust will follow the Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees, and acknowledge that the ESFA's approval must be obtained for any investment transactions that are novel, contentious and/or repercussive and in order to act within the law must:

1. know and act within their powers to invest
2. exercise care and skill when making investment decisions
3. select investments that are right for the Trust. This means taking account of:
  - a. The suitability of any investment in relation to the Trust's needs
  - b. The need to manage risk and consider suitable diversification
4. take advice from someone experienced in investment matters unless they have good reason for not doing so
5. follow certain legal requirements if they are going to use someone to manage investments on their behalf
6. review investments periodically
7. explain their investment policy in their annual report

Decisions needing to be made by Trustees in the context of this policy shall be made by the Finance and Sustainability Committee

### **Risks:**

The key risks that need to be controlled with regard to the placing of deposits are:

1. Fraudulent payments being made: this risk is higher due to the large value of the deposits
2. Inappropriate investments being made: i.e. with unstable or disreputable providers
3. Not maximising the Trust's returns: i.e. by not effectively monitoring interest rates
4. Revenue maximisation taking precedent over security of funds

### **Cash Flow Forecasting:**

The Trust will maintain an ongoing cash flow forecast to establish levels of deposits that can be placed.

All academies must submit an annual cash flow forecast by the end of October. Following submission, the HQ finance team will prepare and present a consolidated trust level cash flow forecast to Trustees. The forecast will identify expected cash balances throughout the year for investment opportunities, and provide early warning of low cash balances. Management action will be taken to either reduce, defer or halt spending to address potential low cash balances as and when required

Academies will operate an interest-bearing current account with the Trust's chosen banking provider. Each academy will be provided with a sufficient balance level to ensure they have adequate liquid funds to cover all immediate and forthcoming financial commitments, including maintaining a sufficient contingency for unexpected payments.

Monies surplus to the working requirements can be deposited in cash deposit facilities with institutions that meet the criteria of the Trust's investment policy.

The Trust will maintain an ongoing cash flow forecast to establish the levels of short-term deposits that can be placed.

### **Counter-parties and Counterparty limits:**

An annual review of the criteria that a potential institution must have in order for the trust to deposit excess reserves will be undertaken, and counter-parties and counterparty limits agreed.

The two key drivers in the decision making process will be the deposit takers ability to pay back deposits at maturity and the administrative time and costs to manage the process. Any changes to these counterparties require approval from Trustees before any investment is placed. Any breaches to this policy will be reported to Trustees via the Finance and sustainability Committee.

### **Investment levels and Maturity Profile Limits:**

Decisions on how much to invest and how long to invest for, will be based on overall operational requirements of the Trust demonstrated by cash flow forecasts. The cash flow forecast will take account of the annual budget and all investment decisions will be undertaken by the TKAT Director of Finance and Operations and shared with the Finance and Sustainability Committee.

Prior to any investment being made, sufficient balances must be held in the individual academies current accounts so that the overall 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.

For investments approved by the TKAT Director of Finance and Operations, only institutions that meet the criteria of the investment policy may be used to invest excess monies. As with all other accounts held, TKAT will have oversight of this account and have the authority to serve notice on the invested monies if and when required to do so.

Individual Academies are not permitted to invest locally as all investments will be made on a trust-wide basis.

*The Director of Finance and Operations is responsible for ensuring the liquidity of the Trust, however, a minimum £5m contingency in its cashflow forecast to cover any income shortfall or unanticipated items of expenditure.*

Investments should not normally exceed 12 months in order to provide flexibility for the wider Trust. The Trust does not have a limit for the balances it can keep in the main current accounts it holds. For deposit facilities, no more than £5m can be kept with any one institution.

The Trust will exercise care and skill in making its investment decisions and will seek advice from an appropriate professional advisor if deemed necessary.

Security of invested funds will always take precedence over revenue maximisation and the Trust will ensure its investments are tightly controlled.

All deposits made with any financial institution must meet all of the following requirements:

- Be in a cash deposit (capital not at risk)
- Be deposited with an Institution that is regulated by the FCA and PRA
- Meet a minimum Investment Grade criteria of 'Good' as detailed on the overview below.
- Have a maximum 12 month maturity date.

Overview:

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		AA+	A-1+	AA+	F1+	
	Aa2		AA		AA		
	Aa3		AA-		AA-		
Investment grade: High	A1		A+	A-1	A+	F1/F1+	
	A2	P-2/P-1	A		A	F1	
	A3	P-2/P-1	A-		A-	F2/F1	
Investment grade: Good	Baa1	P-2 (Prime-2)	BBB+	A-2	BBB+	F2	
	Baa2	P-3/P-2	BBB		BBB	F3/F2	
	Baa3	P-3 (Prime-3)	BBB-	A-3	BBB-	F3	
Speculative grade: Speculative	Ba1	Not Prime	BB+	B	BB+	B	
	Ba2		BB				BB
	Ba3		BB-				BB-
Speculative grade: Highly speculative	B1		B+		B+		
	B2		B		B		
	B3		B-		B-		
Speculative grade: Very high risk	Caa1		CCC+	C	CCC	C	
	Caa2		CCC				
	Caa3		CCC-				
Speculative grade: Very near to default	Ca		CC				
		C		C			
		C		C			
In default	C	SD/D	D		RD/D	RD/D	

**Reporting:**

The performance of investments will be reported to the Finance and Sustainability Committee. The report will include an investment update which will include:

1. A list of current investments
2. Counterparty limits and any breaches
3. Maturity limits and any breaches
4. Summary cash flow forecast
5. Any other key issues

**Review and Revision:**

This investment policy will be reviewed on an tri-annual basis to ensure continuing appropriateness, any significant amendments required to the policy will be presented to the Finance and Sustainability Committee for review before being actioned.

### **Responsibility:**

The Head Teacher and Local Governing Body have local responsibility for the security, management and use of academy funds. The trust-wide management of the investment decisions is controlled by the Director of Finance and Operations and shared with the Finance and Sustainability Committee.

### **Register of Deposits:**

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

1. Institution with which deposit is placed
2. Date deposit placed
3. Amount deposited
4. Date of maturity
5. Amount returned
6. Interest earned
7. Rate of Interest

All income generated from deposits/investments will be held centrally by the trust to assist with the funding of pupil related educational trust-wide initiatives.

### **Monitoring, evaluation and review:**

Periodically (at least annually) the Director of Finance and Operations will review interest rates and compare these with investment opportunities through other institutions.

### **Borrowing:**

Neither the trust or individual academies are permitted to borrow without prior permission of the Secretary of State.

TKAT is one legal entity and despite individual academies having their own bank accounts for day to day cash management, all monies held, and decisions on their uses remain the assets of the Trust.

### **Reporting Obligations:**

As part of its annual trustees report, the Trust must explain its investment policy, including what steps it has taken to manage investment risk, how it has tracked its



financial exposure to investments whilst ensuring that value for money is also achieved.

**Other TKAT Documents to be used in conjunction with this policy:**

This policy should be considered and used in conjunction with the following other TKAT policies and/or handbooks:

1. TKAT Reserves Policy
2. TKAT Finance Policy
3. TKAT Budget Setting Handbook
4. TKAT Financial Controls and Procedures Handbook