

# POLICY

## INVESTMENT POLICY FOR QUEST SCHOOLS COMPANY NUMBER 09306360



Hindley Green Community Primary School  
St. Peter's C. of E. Primary School, Hindley  
St. John's C. of E. Primary School, Hindley Green  
St. John's C. of E. Primary School, Abram  
University Collegiate School, Bolton

**May 2024**  
**Revised January 2025**  
**Next Review Date January 2026**

## INVESTMENT POLICY

### Introduction

The Academy's Articles allows 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".

These investments can be a good source of funding but can also expose Academies to risks.

The purpose and scope of this policy is 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.

A financial investment is when an investment is made to get the best financial return within the level of risk considered to be acceptable. The Charity Commission (2011) and The Charities (Protection and Social Investment) Act 2016 advises that Trustees have several legal responsibilities when making financial investments.

They must:

- Know and act within their Academy Trust's powers to invest.
- Act within their Charity's power to invest.
- Exercise care and skills when making investment decisions.
- Select investments that are right for the Academy Trust. This means taking account of:
  - How suitable any investment is for the Academy Trust
  - The need to diversify investments.
- 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
- Set investment objectives.
- Set the parameters that deposit counterparties need to meet.
- Consider the level of liquid cash required to be held either overnight or within current accounts.
- Approve the type of products that the Trust can invest in and seek external guidance if required.
- Define processes to manage and make investment decisions.
- Monitor and review investments on a regular basis.

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 Academy Trust's long and short term financial commitments as well as its expected income.

As an organisation, QUEST are extremely careful with the public money/funds that are entrusted to the Academy Trust. We will carefully invest any money that is not required to cover anticipated expenditure and take steps to manage the risk associated with financial investments.

### Responsibility

The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the **Chief Finance Officer (CFO) / Chief Executive Officer (CEO)** to ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing.

## **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.

The investment objectives are:

- to achieve best financial return available whilst ensuring the security of deposits takes precedence over revenue maximisation.
- only invest funds surplus to operational need based on all financial commitments being met without the Academy bank account(s) becoming overdrawn.
- by complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interest of the Academy, commanding broad public support.

## **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 banking regulation 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 regulated by the FCA.***

## **Counterparty Restrictions**

For Institutions with an Investment Grade “good” or better credit rating or implied credit rating the Trust can deposit a maximum of £5,000,000 (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

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.

The Trust will further reduce its counterparty risk by having deposits with at least two institutions.

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.

## 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)	<del>Aaa</del>	P-1 (Prime-1)	AAA	A-1+	AAA	F1+
Investment grade: Very high	Aa1		AA+		AA+	
	Aa2		AA		AA	
	Aa3		AA-		AA-	
Investment grade: High	A1	P-2/P-1	A+	A-1	A+	F1/F1+
	A2		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-
Speculative grade: Speculative	Ba1	Not Prime	BB+	B	BB+	B
	Ba2		BB		BB	
	Ba3		BB-		BB-	
Speculative grade: Highly speculative	B1		B+	C	B+	C
	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	D	CC	RD/D
			C		C	
			C		C	
In default	C		SD/D	D	RD/D	RD/D

### Investment Strategy

A certain degree of risk is associated with all investments so 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 that the overall level of risk they are taking is appropriate for the Academy Trust. Losses may result in a low return on an investment, or the complete loss of all money invested. If this occurs, trustees should review their approach to risk and take the opportunity to learn from their experiences.

Investment risk will be managed through asset class selection and diversification to ensure 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.

To manage the risk of default, deposits should be spread by banking institutions 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 FCA 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.

### **Spending and Liquidity**

The Trust should ensure that a sufficient balance be held across accounts with short term (Instant or easy 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 cashflow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

It is noted that notice and term deposits will not be accessible before the required notice period or maturity date for any reason.

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 Chief Finance Officer (CFO). The cash flow forecasts will take account of the annual budget and spending plans approved by the Board 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 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.

### **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 unless funds are held for a specific future product with no risk of requiring access in the meantime.

It is recognised that funds cannot be accessed before the relevant period of notice is given or, for fixed term deposits, at maturity.

The profile and restrictions of the most common deposit accounts are:

#### **Easy Access:**

No notice needed to make withdrawals.

Funds are usually returned overnight or within a few days

Interest Rates are variable

**Notice Accounts:**

No access without giving the required notice  
Interest Rates are variable

**Fixed Term Deposits:**

No access until the deposit matures  
Interest Rates are fixed for the term

**Investment Decisions**

The **CFO** is responsible for producing reliable cash flow forecasts as a basis for decision making.

The **CFO/CEO** are 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.

**Monitoring and Evaluation**

The Chief Finance Officer (CFO) will compare alternative investment opportunities regularly to ensure that the Trust's funds achieve the best interest rates.

The **CFO** will report investments held and the performance of investments against objectives to the **Risk & Audit Committee**. The reporting should include:

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

The Chief Finance Officer (CFO) will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the RAR 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.

The Chief Executive Officer (CEO) and the Chief Finance Officer (CFO) are responsible for ensuring that this policy is adhered to.

**Reviewing**

The CEO and Trustees will carry out a review of this policy on an annual basis to ensure continuing appropriateness and that any new or change in legislation is adhered to.

**References**

QUEST has used part of this template from CEFM who acknowledge the *Charity Commission's Charities and Investment Matters: A Guide for Trustees* documents in the production of this policy:

<https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14/charities-and-investment-matters-a-guide-for-trustees>

This policy was presented to and approved by Trustees in January 2025.

Signed:

C Pailing

Chair of Trustees