



EDUCATION  
and  
LEADERSHIP  
Trust



Levenshulme  
HIGH SCHOOL



## TRUST INVESTMENT POLICY

V1.4

Date:	25.10.16
Date reviewed by Education and Leadership Trust Finance Committee:	05.12.2017

Date of next review by Education and Leadership Trust Finance Committee:	05.12.2017
Responsible for this policy:	Trust Finance Director

## Approval History

Approved By:	Date of Approval	Version Approved	Comments
ELT Board	15.12.2015	1.1	
ELT Finance Committee	01.11.2015	V1.3	
ELT Finance Committee	05.12.2017	V1.4	

## Revision History

Revision Date	Previous Revision Date	Rev	Summary of Changes	Changes Marked	Owner/Editor
23.11.2015		1.0	Reviewed at ELT Finance		DCO
09.12.2015	23.11.2015	1.1	Section 1: Principle amended	Y	DCO
25.10.2016	09.12.2015	1.2	TEMA Logo added		DCO/SME
25.10.2016	25.10.2016	1.3	Changes made following review at ELT Finance Committee to 7.0 and Appendix A inserted		DCO /SME
25.10.2016	28.11.2017	1.4	Changes made to reflect addition of TEMA, and potential addition of further schools to the Trust	Y	DCO

## CONTENTS

1. Principle.....	4
2. Purpose of the policy .....	4
3. Background .....	4
4. Risk .....	5
5. Objectives and targets.....	5
6. Action plan.....	6
7. Guidelines.....	6
8. Monitoring and evaluation.....	7
9. Review.....	7
10. Further references .....	7
11. Appendix A .....	8

## **1.0 Principle**

- 1.1 Education and Leadership Trust is a multi-academy trust established to run schools (academies) in Manchester. In this context, the purpose of an Investment Policy is to protect, as far as possible, the funds of the Trust held on deposit, against the failure of one or more financial institutions. The policy does not provide for any facility to make risk-based investments such as gilts (i.e. stocks and shares).
- 1.2 Education and Leadership Trust (the Trust) aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition, the Trust aims to invest surplus cash funds to optimise returns, but ensure the investments are such that there is no risk to the loss of these cash funds.

## **2.0 Purpose of the policy**

- To ensure adequate cash balances are maintained in the current accounts to cover day-to-day working capital requirements.
- To ensure there is minimum risk of loss in the capital value of any cash funds invested.
- To optimise returns on invested funds.

## **3.0 Background**

- 3.1 Education and Leadership Trust is a limited company with charitable status. Multi-academy trusts are able to make investments and these investments can be a good source of funding, but can also expose the Trust to risks.
- 3.2 Any financial investment should be undertaken to obtain the best financial return within the level of risk considered to be acceptable. The Charity Commission (see Charities and investment matters: a guide for trustees; Published 1 October 2011) advises that trustees have several legal responsibilities when making financial investments.
- 3.3 Trustees must:
- Know and act within their Trust's powers to invest.
  - Exercise care and skill when making investment decisions.
  - Select investments that are right for the academy. This means taking account of:
    - How suitable any investment is for the 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.

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

#### **4.0 Risk**

4.1 All investments are usually associated with a certain degree of risk. Consequently, 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 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.
- Prior to any decision to invest, regularly monitoring of cashflow and current account balances must be in place to ensure immediate financial commitments can be met (supplier payments runs and in particular payroll commitments); and that the current accounts have adequate balances to meet forthcoming commitments.

4.2 Education and Leadership Trust will always be cautious with the public money with which we are entrusted. It is the Trustees' aim to invest any money that is not required to cover anticipated expenditure and take steps to manage the risk associated with financial investments.

#### **5.0 Objectives and targets**

5.1 The purpose of this policy is to ensure that any surplus funds are invested well so that they achieve the best financial returns with the minimum risk. Good financial returns mean that more money will be available to spend on educating students, and maintaining the academies' facilities to a good standard.

## 6.0 Action plan

- Adequate cash balances must be maintained to ensure that there are always sufficient funds in the academies' current accounts to cover financial commitments such as payroll and day-to-day expenses. If there is a surplus of funds after all financial commitments have been considered, this surplus could be invested, mitigating any risks prevailing at the time.
- Funds should be invested in tranches of between £50,000 and £500,000, after agreement from the Finance & Audit committee. It may be beneficial and less risky 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.

## 7.0 Guidelines

- Management of the academies' cash will be undertaken by the Trust Finance Officer supported by other academy Business Manager(s).
- Regular cashflows will be prepared and monitored to ensure there are adequate liquid funds to meet all payroll related commitments and any outstanding supply creditors due.
- The Trust will ensure no current accounts will become overdrawn.
- The Trust will ensure that low risk organisations are used for investment purposes at all times.
- The Trust will ensure a maximum exposure to any one financial institution will not exceed 25% of cash balances.
- Where the cashflow identifies a base level of cash funds that will be surplus to requirements this surplus may be invested only in the following:
  - Transfer to Instant Access Deposit or High Interest Deposit with current bankers or other UK banking institutions regulated by the Financial Conduct Authority.
  - Interest bearing deposit accounts (including fixed term bonds with a term not exceeding six months)
  - Treasury deposits, or other secure UK Government investment instruments
  - Manchester City Council and other local authority term deposit schemes
  - COIF (Charities Investment Fund)
  - Investments or commitments with maturity dates which do not result in the cash funds being unavailable for longer than six months.

- Surplus cash may be invested on a rolling basis so that there is a phased increase or decrease in invested funds, provided that the Trust can revert to a fully liquid position within six months.
- Before monies are placed, sanction from the Executive Headteacher or Chair of Trust Finance & Audit Committee will be gained by the Trust Finance Officer
- Any relevant documentation will be signed in accordance with the bank signatory instructions, i.e. any two of the signatories specified.
- A current list of approved financial institutions is attached at Appendix A. This will be reviewed annually or more frequently if required.

## **8.0 Monitoring and evaluation**

- Periodically the Trust Finance Officer will review the interest rates being achieved and will compare with other alternative investment opportunities every year that comply with the parameters of this policy.
- The Executive Headteacher (as Accounting Officer) and Trust Finance Officer are responsible for ensuring that this policy is adhered to.
- A schedule of current investments, including current account balances and cashflow forecasts will be reported at Trust Finance & Audit Committee meetings.

## **9.0 Review**

- The Trust Finance & Audit Committee will carry out a review of this policy on a regular basis to ensure that any new or changed legislation is adhered to.
- Any change in policy requires the approval of the Trust Board via the Trust Finance & Audit Committee

## **10.0 Further References**

### **10.1 Charity Commission's Charities and Investment Matters: A Guide for Trustees**

<http://www.charity-commission.gov.uk/library/guidance/cc14text.pdf>

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

**Current list of approved financial institutions as at November 2017**

Barclays Bank PLC

HSBC

Lloyds Bank PLC

Nationwide Building Society