Investment Policy

Approved by:	Resources Committee	**Date:** 11/05/23
Last reviewed:	February 2023	
Next review due by:	May 2024	

Related Documents:

LCT Memorandum of Understanding and Articles of Association (July 2017)
ESFA Academies Trust Handbook (2022)
ESFA Funding Agreement (Annual)
LCT Scheme of Delegation
LCT Committee Terms of Reference
LCT Risk Management Policy
LCT Budget Principles and Funding Model
LCT Whistleblowing Policy – Speak Up
LCT Financial Procedures Manual/Guide

1. **Introduction**

1.1 The Learning Community Trust (LCT) Board of Trustees are able to invest to further the trust's charitable aims. The Academies Financial Handbook allows investment on the understanding that the board of directors:

- Act within their powers to invest as set out in its articles;
- Have an investment policy to manage, control and track their financial exposure, and ensure value for money;
- Exercise care and skill in all investment decisions, taking advice as appropriate from a professional advisor;
- Ensure exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation;
- Ensure that all investment decisions are in the trust's best interests review the trust's Investments and investment policy regularly; and
- Follow the Charity Commission's guidance CC14 Charities and investment matters: A guide for trustees. CC14 is non-statutory however is appropriate to our Trust and as such has decided to adopt it as a Trust wide Policy. (Appendix 1 executive summary). ESFA's prior approval must be obtained for investment transactions which are novel, contentious and/or repercussive;
- The trust does not consider the investment of surplus funds as a primary activity, rather it is a result of good stewardship as and when circumstances allow.

1.2 This policy sets out the principles and typical circumstances in which the Trust may choose to invest surplus cash funds.

2. **Implementation**

2.1 It is the Board of Trustees belief that it is should be anticipated that the trust will have surplus cash available, both as a result of cash flow planning and also the implementation of a reserves policy that maintains a suitable amount of reserves.

- Such surplus cash should be invested to ensure that the trust receives an acceptable income stream without putting at risk the funds that belong to the trust. The Trust believe that low risk bank deposit accounts are the most appropriate place to invest surplus cash flow. Advice should be taken from the trust's bankers and funds invested as follows:
- Working capital to be invested in a Lloyds bank current account. It is recognised that a small amount of interest is payable on this balance but that Lloyds also offer academies free banking which results in this lower interest rate.
- Surplus cash should be invested in a mixture of notice accounts of up to one year with Lloyds bank to earn higher interest rates than on the current account but to stagger easy access to funds over the year to meet cash flow requirements.
- Any interest earned should be paid into the LCT central budget to benefit all schools within our trust proportionally to their contribution.
- The COO will review with the Head of Finance monthly the interest rates being achieved on the investments that comply with the parameters of this policy and balances invested will be reported as a written addendum to the monthly management accounts report and obtain approval for investment amounts from the Resources Committee.

2.2 The Trust will not invest reserves in stocks and shares or other volatile investments as they do not feel these represent an acceptable level of risk to the Trust.

3. Legislation and Guidance

3.1 The Academies Financial Handbook states that academy trusts are required to have an investment policy to

- Manage, control and track their financial exposure.
- Ensure value for money.

This policy is based on the Academies Financial Handbook and guidance taken from The Charity Commission. This policy also complies with our funding agreement and articles of association.

Appendix 1: CC14 Executive summary

Note: CC14 is non-statutory however is appropriate to our Trust and as such has decided to adopt it as a Trust wide Policy.

Charities invest so that they can further their charitable aims. They can invest in a number of ways to achieve their aims, and there are specific legal duties and decision making processes attached to each.

Financial investment

The purpose of financial investment is to yield the best financial return within the level of risk considered to be acceptable - this return can then be spent on the charity's aims.

In order to act within the law, trustees must:

- know, and act within, their charity's powers to invest (legal requirement)
- exercise care and skill when making investment decisions (legal requirement)
- select investments that are right for their charity; this means taking account of:
- how suitable any investment is for the charity
- the need to diversify investments (legal requirement)
- take advice from someone experienced in investment matters unless they have good reason for not doing so (legal requirement)
- follow certain legal requirements if they are going to use someone to manage investments on their behalf (legal requirement)
- review investments from time to time (legal requirement)
- explain their investment policy (if they have one) in the trustees' annual report (legal requirement)

The commission also recommends that trustees should:

- decide on the overall investment policy and objectives for the charity
- agree the balance between risk and return that is right for their charity; this may include a wide range of factors that will impact on return including environmental, social and governance factors
- have regard to other factors that will influence the level of return, such as the environmental and social impact of the companies invested in and the quality of their governance
- be aware that some investments may have tax implications for the charity
- invest any permanently endowed funds in a way that helps them to meet their short and long-term aims
- decide whether to adopt an ethical, socially responsible or mission related approach to investment and ensure that it can be justified