Investment Policy

Approved by: Resources Committee	**Date:** 15/06/2024
Last reviewed on:	
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APPROVED

Related Documents:

LCT Memorandum of Understanding and Articles of Association
ESFA Academies Trust Handbook
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
LCT Capital Policy

1. Introduction

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

1.1.1. Act within their powers to invest as set out in its articles.

1.1.2. Have an investment policy to manage, control and track their financial exposure, and ensure value for money.

1.1.3. Exercise care and skill in all investment decisions, taking advice as appropriate from a professional advisor.

1.1.4. Ensure exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation.

1.1.5. Ensure that all investment decisions are in the trust's best interests review the trust's Investments and investment policy regularly.

1.1.6. 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).

1.1.7. Obtain ESFA's prior approval for investment transactions which are novel, contentious and/or repercussive.

1.2. 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.

2. Purpose

2.1. To set out the process 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.

3. Process

3.1. The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the CFO. The CFO will ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing.

3.2. The CFO should identify a level of funds that can be placed on deposit to generate additional interest income for the Trust to support its on-going charitable objectives.

3.3. 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.

3.4. Use of the Insignis (Banking for Education) platform by the Trust is restricted to 'dual control' for the opening of deposit accounts, placing funds and withdrawing funds.

3.5. A security feature of the Insignis (Banking for Education) platform is that it may only withdraw funds into the Trust's current account with Lloyds.

4. Counterparty Risk and Restrictions

4.1. The Trust can only make cash deposits with Lloyds or institutions listed in the Insignis Cash (Banking for Education) platform.

4.2. Deposits placed via the Insignis Cash (Banking for Education) platform must:

4.2.1. Be with institutions with a UK banking licence regulated by the FCA.

4.2.2. Be with institutions with a credit rating or implied credit rating of "high" or better.

4.3. The Credit rating or Implied Credit Rating will be checked at the time of placing a deposit with a new bank.

4.4. It is noted that 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.

4.5. Ratings comparison chart:

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

5. Assessing liquidity needs

5.1. 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.

5.2. The Trust should also allow enough flexibility to deal with reasonable, one-off events should they occur.

5.3. The Trust's cash flow forecasts will dictate how much is available for investment and for how long.

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

6. Investment Products

6.1. The Trust can invest funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

6.1.1. Overnight (instant access / easy access)

6.1.2. Notice accounts (typically from 30-days to 100+ days)

6.1.3. Fixed term deposits (typically from 1-month to 12-months)

6.2. 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.

6.3. The Trust will not invest in stocks and shares or other volatile investments.

7. Monitoring & Reporting

7.1. The CFO will report investments held and the performance of investments to the Resources and Audit & Risk Committees for review each time it meets or when requested to do so.

7.2. The reporting should include:

7.3. Funds invested

7.4. Maturity dates

7.5. Interest rates

8. Review

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

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