Treasury Management, Investment and Reserves Policy

This Investment policy is designed to only apply to short term cash-based deposits and does not apply to any strategy that may be in place or put in place for investing in 'capital at risk' investments. It takes into account both the Academy Trust Handbook and the DFE "Managing Academy Trust Reserves / Academy Trust Reserves" guidance issued on 2 June 2025.

Purpose and scope

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.

In doing so, Trustees must:

- Act within their Charity's power to invest.
- 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.

Responsibility

The Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the Director of Finance 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.

Investment Products

The DfE Guidance "Managing Academy Trust Reserves: dated 2nd June 2025 states:
Considerations for the Board:

- *if funds are not needed now, how the trust might be able to invest them to generate some extra income by reviewing current trust bank and saving accounts, cash reserve locations and interest rates available to establish where or how investment returns may increase, including:*
    - *reviewing type and amount of accounts*
    - *avoiding capital at risk investments*
    - *ensuring funds are deposited with banks or financial institutions that are registered and regulated by the Financial Conduct Authority (FCA) in the UK*

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.

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.

Taking this and the DfE guidance into account, The Trust can only make cash deposits with institutions with a UK banking licence regulated by the FCA. The Trust will not enter into any "capital at risk" Investments.

Counterparty Restrictions

The Trust will only make deposits with Banks or Building Societies with a UK banking licence and regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).

The Trust will not deposit more than £85,000 with any single Bank or Building Society unless they have a Fitch 'long term investment grade' of 'High' or above, this equates to a credit rating of A- or higher. The only exception to this will be for the Trust's current accounts with Lloyds Bank. The Fitch ratings are updated daily on the Trust's cash management platform, Insignis, and will be checked before funds over £85,000 are placed on deposit.

Long Term Investment Grade	***Fitch Credit Rating***	***Maximum deposit per UK regulated bank***
Very High	*AA+, AA, AA-*	*£1,000,000*
High	*A+, A, A-*	*£750,000*

Assessing liquidity needs

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.

Investment Decisions

The Director of Finance is responsible for producing reliable cash flow forecasts as a basis for decision making.

The Director of Finance is 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 & Reporting

The Director of Finance will report investments held and the performance of investments against objectives to the FAR Committee for review each time it meets or when requested to do so. The reporting should include:

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

Review

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

Reserves Policy

The Trust aims to retain a reserve level (surplus cash from both surplus GAG funding and unrestricted funds) of between 2% and 6% to provide for unexpected costs, pupil number variations, unfunded expenditure and future risks or opportunities.

POLICY AMENDMENT HISTORY

Date	Reviewed by	Nature of Change	Adopted by IET Board	Next Review
8.7.25	JN/FAR Committee	New policy	22.7.25	July 2026 or sooner if required.
14.7.26	JN/FAR Committee	No changes at this time.		July 2027 or sooner if required.