

Denefield School

Investment Policy

Approved by Resources Committee on	25 January 2023
Date of next review	January 2024
Review cycle	Annual
Policy control sheet updated	Yes
Type of policy	Required by Academy Trust Handbook
Policy owner	Finance and Business Director
Location of policy	Denefield School website

Investment Policy

Purpose and scope

This policy sets out the process by which the School can invest funds that are surplus to day-to-day operational requirements, and ensures that investment risk is properly and prudently managed. It aims to ensure that:

- Denefield School funds are used in compliance with the School's powers to invest as set out in Charity Commission Guidance¹, its Articles of Association, its funding agreement and the Academy Trust Handbook²;
- The School's funds are used judiciously, in a way that commands broad public support and achieves value for money;
- Trustees fulfil their duties and responsibilities as charitable trustees and company directors.

In doing so, Trustees must:

- Set investment objectives and regularly review investments
- Consider the level of liquid cash required to be held within current accounts
- Approve the type of products that the School can invest in
- Define processes to manage and make investment decisions.

Roles and responsibilities

Trustees delegate the day-to-day responsibility of managing and implementing the investment policy to the Resources Committee to ensure investments are managed in accordance with this policy and that investment risk is properly managed. The Resources Committee is responsible for:

- monitoring how the School's investments are performing and
- controlling and tracking financial exposure;

The Finance and Business Director (FBD) is responsible for producing reliable cash flow forecasts as a basis for making investment decisions that comply with this Policy. Investment decisions will be countersigned by the Head Teacher.

Objectives

To identify a level of funds that can be invested or placed on deposit to generate additional income for the School in order to support its on-going charitable objectives. Any investment

¹ [CC14 Charities and investment matters: A guide for trustees](#)

² [The Academy Trust Handbook \(section 2.25 and 2.26\)](#) states that academies are required to have an investment policy to manage, control and track their financial exposure; and to ensure value for money.

decisions must be supported by a cashflow forecast that reduces the risk of the School not having the liquidity required to carry out its day-to-day activities.

Investment Principles

When considering whether to make an investment, the FBD will:

- Act within the School's powers to invest
- Exercise caution reducing risk and ensuring that the School acts with integrity;
- Ensure that security of funds takes precedence over revenue maximisation; and
- Ensure that all investment decisions are in the best interests of the School and command broad public support.

Prior approval from the Education and Skills Funding Agency will be sought for investment transactions that are novel or contentious³.

Risk

Following the Banking Crisis in 2008, the Bank of England have implemented changes to stress testing and capital requirements of UK Financial Conduct Authority registered banks to ensure the stability of the UK banking system. As such, Denefield will only make deposits with banks or building societies with a UK banking licence and regulated by the Financial Conduct Authority.

In making investment decisions, consideration will be given to the Financial Services Compensation Scheme protection arrangements which protect only the first £85,000 of an investment with a single institution but, for practical reasons, investments do not have to be limited to this maximum.

Assessing liquidity

The School will ensure that a sufficient balance is held across accounts with instant access so that its 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 School's cash flow forecasts will dictate how much is available for investment and for how long. The cashflow forecasts should be reviewed monthly.

Our aim is to ensure funds in the School's current account do not fall below £200k at any time.

Investment Products

Unless there is a clear rationale for longer-term investment that would benefit the School, surplus funds will only be invested in a mixture of low-risk interest-bearing accounts and money market facilities where the capital is not placed at risk and where the interest rate is higher than any banking charges due. These include:

- Overnight (instant access)
- Fixed term deposits (typically from 1-month to 12-months)

³ Novel transactions are those of which the School has no experience, or are outside the range of its normal business activity. Contentious transactions are those which might give rise to criticism of the trust by Parliament, the public, and the media.

- ongoing notice accounts with a withdrawal notice of no more than 12 weeks.
- Investments or cash deposits should not exceed 12-months in term.

The School will not invest in stocks and shares or other higher risk investment products where the value of the original investment is not protected.

Higher risk investments will only be made, if at all, after obtaining such advice from a financial expert as the Trustees consider necessary and having regard to the suitability of investments and the need for diversification.

Procedures

Before any funds are invested or placed on deposit, the FBD will use an investment authorisation form (attached at appendix 1) to get approval from the Head Teacher for a specific investment.

Funds, and any interest earned on those funds, will be automatically reinvested unless money is required for immediate or anticipated expenditure.

The School currently uses the Insignis investment platform to facilitate investment transactions that comply with this policy.

Monitoring and reporting

The FBD will report investments held and the performance of investments to the Resources Committee for review at least quarterly. The reporting should include:

- Funds invested
- Maturity dates
- Interest rates
- Current market rates
- Returns achieved against expected performance
- Latest cash flows showing 12-month liquidity requirements
- Recommendations for future investments.

Review:

Trustees will review the Investment Policy annually.

Links with other policies

This investment policy links with our policies on

- Financial Management Policy and procedures

Appendix 1 –Investment authorisation form

Date		Duration of investment	
Amount			
Interest rate		Bank charge (%)	
Expected annual return			
Description of investment / movement of funds			
<i>State what type of investment is being made and how it will benefit the school</i>			
Account from which funds are being paid			
<i>Insert name and address of bank or building society</i>			
Account to which funds are going			
<i>Insert name and address of bank or building society</i>			
Further details			
<i>Provide relevant information as needed</i>			
Head teacher		FBD	
Signature		Signature	
Date		Date	