Investment policy

DATE FIRST ISSUED:	March 2019
DATE LAST REVIEWED:	March 2022
NEXT REVIEW DATE:	March 2025
APPROVED BY:	Board of Trustees
APPROVAL DATE:	May 2022

1 INTRODUCTION

1.1 The Agora Learning Partnership (the Trust) receives and pays out over £10m per year. This policy sets out the rules by which the Trust invests its funds and explains the Trust's approach to investments. The Board of Trustees is given the freedom to invest to further the Trust's charitable aims but must, however, ensure that investment risk is properly managed.

2 OBJECTIVES

2.1 The objectives of this policy are to ensure that the Trust:

- Maintains sufficient cash balances in its current account to meet its day to day commitments
- Invests surplus cash to earn an acceptable rate of return without undue risk
- Considers spreading risk between differing types of investment and institutions to reduce credit risk

3 LEGISLATION AND GUIDANCE

3.1 The Academy Trust Handbook (2.25) states that Trusts may invest to further the trust's charitable aims, but must ensure that investment risk is properly managed. When considering an investment the board must:

- act within its powers to invest as set out in its articles
- have an investment policy to manage and track its financial exposure, and ensure value for money
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximisation

- ensure that investment decisions are in the best interests of the Trust
- review the trust's investments and investment policy regularly

In addition paragraph 2.26of the Academy Trust Handbook states that the board should follow the *Charity Commission's guidance: CC14 Charities and investment matters: A guide for trustees.* The ESFA's approval must be obtained for investment transactions that are novel, contentious and/or repercussive.

3.2 This policy is based on the Academy Trust Handbook and guidance from The Charity Commission. This policy also complies with the Trust's Funding Agreement and Articles of Association.

4 ROLES AND RESPONSIBILITIES

4.1 Whilst the Board of Trustees has responsibility for the Trust's finances, the Scheme of Delegation delegates responsibility for investment management to the Finance, Audit, Risk and Estates Committee (FARE Committee).

4.2 The Chief Financial Officer (CFO) is responsible for:

- producing reliable cash flow forecasts as a basis for decision making
- the execution and administration of investment management decisions
- providing sufficient management information to the FARE Committee so it can review and monitor investment performance

5 INVESTMENT STRATEGY

5.1 The Trust regards a key objective of its investment management activities to be the security of the principal sums it invests.

5.2 Investments are restricted to treasury and deposit accounts with the Academy's bankers or alternative banking institutions which have credit ratings assessed by three agencies (Fitch, Moodys and Standard and Poor) to show good credit quality (Upper Medium Grade). See appendix A.

5.3 Investments for a fixed term should not normally exceed one year in order to provide flexibility for the following year's plans, unless a clear rationale is provided for exceeding one year to the benefit of the Trust.

5.4 Any transfers into accounts/deposits requiring more than 32 days' notice must be approved by the CEO and monitored by the FARE Committee.

5.5 A sufficient balance must be held in current accounts so that the Trust's financial commitments can always be met without the bank accounts going overdrawn. The size of the balance required in the current accounts will be determined by a forecast of future need and kept under review. However this should be at a minimum of £20,000 above the forecast lowest cash position.

6 INVESTMENT REPORTING

6.1 The CFO will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the FARE Committee at appropriate intervals, depending on the terms of the investments. For example if investments are held for one year then an annual report is appropriate. Reporting will be undertaken annually as a minimum.

Appendix 1 – Credit ratings

Lloyds Bank

Agency	Long term	Short term	Rating report
Standard & Poor's	A+	A-1	28 June 2021
Moody's	A1	P-1	13 October 2021
Fitch	A+	F1	11 February 2022

Source: [Credit ratings - Lloyds Banking Group plc]

Santander UK

	S&P	Moody's	Fitch
Long-term rating	A	A1	A+
Long-term rating outlook	Stable	Stable	Stable
Short-term rating	A-1	P-1	F1

Source: [Santander | Credit Ratings - Santander UK]

Ratings definitions

Standard and Poor's

- An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong
- An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories, However, the obligor's capacity to meet its financial commitments on the obligation is still strong
- An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation
- Ratings from 'AA' to 'BBB' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories

Moody's

- Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk
- A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk
- Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics
- The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category

Fitch

- AA: Very high credit quality - 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events
- A: High credit quality - 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings
- BBB: Good credit quality - 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity
- The modifiers '+' or '-' may be appended to a rating to denote relative status within major rating categories