



LYDIATE  
LEARNING  
TRUST

# Investment Policy



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ENGAGE, ENABLE,  
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# Investment Policy

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# Investment Policy

## 1. Introduction

- 1.1 The purpose of the Investment Policy is to set out the processes by which Lydiate Learning Trust's Board will meet their duties under the Trust's Articles of Association and the Academy Trust Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the Trust's charitable aims and to ensure that they put the security of funds above maximising revenues, but that they are able to invest to further their charitable aims. The Board must ensure that investment risk is properly and prudently managed.
- 1.2 The Trust aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations. In addition, the Trust aims to invest surplus cash funds to optimise returns, by ensuring the investments are such that there is no risk to the loss of these cash funds.

## 2. Definitions of Duties

- 2.1 The Trust's Articles of Association give Trustees the power to "deposit or invest any funds required for the furtherance of its Objects (but to invest only after obtaining such advice from a financial expert as the Directors consider necessary and having regard to the suitability of investments and the need for diversification)".

The Articles of Association state that they can delegate the management of investments to a financial expert, but only on terms that:

- The investment policy is set down in writing for the financial expert by the Directors,
- Every transaction is reported promptly to the Directors,
- The performance of the investments is reviewed regularly with the Directors,
- The Directors are entitled to cancel the delegation arrangement at any time,
- The investment policy and the delegation arrangement are reviewed at least once a year,
- All payments due to the financial expert are on a scale or at a level which is agreed in advance and notified promptly to the Directors on receipt, and
- The financial expert must not do anything outside the powers of the Directors.

The Board has overall responsibility for Trust finances, however the Scheme of Delegation states that the Finance and Resources Committee must first approve any investment and recommend a decision to Board.

The Director of Finance is responsible for producing reliable cash flow forecasts as a basis for decision making, and is responsible for making investment decisions that comply with this policy by providing sufficient management information to the Finance & Resource Committee.

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## 3. Objectives of the policy

### 3.1. The investment objectives are:

- To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements;
- Only invest funds surplus to operational need based on all financial commitments being met without the Trust's bank account becoming overdrawn;
- To ensure there is no risk of loss in the capital value of any funds invested;
- To protect the capital value of any invested funds against inflation;
- To optimise returns on invested funds.

## 4. Investment Strategy

### 4.1 Investment risk will be managed through asset class selection and diversification with the aim of ensuring that the security of deposits takes precedence over revenue maximisation. For selection, assets will only be considered with banking institutions which have credit ratings assessed by Fitch and or Moody to show good credit quality of A+ or higher.

The Trust is able to invest any excess funds (over and above the required day to day funds) in the following types of investment:

- Cash management accounts;
- Term deposit accounts or instant access deposit account;
- Accepted or endorsed bills of exchange.

The investment of academy funds in shares or other financial products is not allowed due to the higher risk attached to these investments.

## 5. Implementation

### 5.1 Funds can be invested as follows:

Period of time funds held on deposit:	Authorisation required:
Up to eight weeks	Director of Finance (DOF)
Over eight weeks to twelve months	CEO/Executive Head (CEO) & DOF
Over twelve months	Board of Trustees , CEO & DOF

Decisions on how much to invest and how long to invest for will be based on operational requirements demonstrated by cash flow forecasts produced by the Director of Finance for the Finance and Resources Committee. The cash flow forecasts will take account of the annual budget and any further spending plans approved by the Board of Trustees and updated on a monthly basis.

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A sufficient balance must be held in the current account so that the Trust's financial commitments can always be met without the bank account going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review.

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.

## 6. Monitoring & Review

- 6.1 The Trust has authorised signatories, two of which are required to sign instructions to the deposit taking institution.
- 6.2 The DOF will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Finance & Resources Committee at appropriate intervals depending on the terms of the investments. For example, if an investment is held for one year then an annual report is appropriate.

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