



# INVESTMENT POLICY

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## **1. Aims**

This policy aims to ensure that:

- PDET's funds are used only in accordance with the law, its articles of association, its funding agreement and the Academies Financial Handbook;
- PDET's funds are used in a way that commands broad public support;
- Value for money (economy, efficiency and effectiveness) is achieved;
- Directors fulfil their duties and responsibilities as charitable Trustees and company directors.

## **2. Legislation and guidance**

The Academies Financial Handbook 2020 states that academy PDETs are required to have an investment policy to:

- Manage and track its financial exposure;
- Ensure value for money.

This policy is based on the Academies Financial Handbook and guidance from The Charity Commission.

This policy also complies with our funding agreement and articles of association.

## **3. Roles and responsibilities**

### **3.1 Directors**

Directors will ensure that investment risk is properly managed. When considering whether to make an investment, Directors will:

- Act within their powers to invest, as set out in our articles of association;
- Exercise caution in all investments, reducing risk and ensuring that the PDET acts with the utmost integrity;
- Take investment advice from a professional adviser, as appropriate;
- Ensure that exposure to investment products is tightly controlled so that security of funds takes precedence over revenue maximization;
- Ensure that all investment decisions are in the best interests of the PDET and command broad public support;

As noted in the Academies Financial Handbook, Directors will seek prior approval from the Education and Skills Funding Agency for investment transactions that are novel or contentious.

**Novel transactions** are those of which the academy PDET has no experience, or are outside the range of normal business activity for the PDET.

**Contentious transactions** are those which might give rise to criticism of the PDET by Parliament, the public, and the media.

### 3.2 Business and Finance committee

Directors delegate responsibility for PDET's investments to the Business and Finance Committee.

The committee is responsible for:

- Controlling and tracking financial exposure;
- Reviewing the PDET's investments;
- Reporting to Directors on investments.

### 3.3 The Director of Finance and Business Operations

The Director of Finance and Business Operations (DFB) is responsible for producing cash flow forecasts and for making decisions on investments. The DFB also provides information to the finance committee and Directors, as appropriate.

The Business and Finance committee delegate day-to-day management of PDET investments to the DFB.

## 4. Investment principles

PDET only invests funds in low risk and easily accessible accounts. Funds will be placed in bank accounts with a withdrawal notice of no more than 90 days.

Risk is managed through diversification of investments, ensuring that the security of funds takes precedence over revenue maximization. Investment types will include but not be limited by cash, cash deposits, and fixed term deposits.

Funds will only be placed with banking institutions that are regulated by the Financial Conduct Authority and with credit ratings measured by Standard and Poor (S&Ps) or other large credit rating agencies of greater than or equal to S&Ps Prime or High-Grade classification (AAA, AA+, AA, AA-). This is summarised below:

Moody's	S&P	Fitch	Credit worthiness <sup>[6][7]</sup>
Aaa	AAA	AAA	An obligor has EXTREMELY STRONG capacity to meet its financial commitments.
Aa1	AA+	AA+	An obligor has VERY STRONG capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
Aa2	AA	AA	
Aa3	AA-	AA-	

Funds will not be invested beyond 50% of available 'free cash', defined as unrestricted funding that has not been allocated to specific strategic or operational purposes.

Cash funds will be retained in current accounts to ensure short-term liabilities can be satisfied and settled without need of investment drawdowns.

## 5. Procedures

The following people are authorised signatories:

- DFB
- Chief Executive Officer
- Chair of Business and Finance committee

Before any funds are invested, 2 authorised signatories will be required to sign to indicate they agree to the investment. This approval can be obtained by email agreeance.

The following information will be recorded about investments:

- Date;
- Amount and description of the investment;
- Length of investment; and
- Interest rates / expected return.

The DFB will review interest rates and compare them with other investment opportunities annually.

Cash flow and current account balances will be monitored regularly by the DFB to ensure immediate financial commitments can be met and that current accounts have adequate balances to meet forthcoming commitments.

When there are funds surplus to immediate cash requirements in the current account, PDET will transfer these to an account with a higher interest rate.

Investments will normally be for a fixed-term that does not exceed one year unless there is a clear rationale for longer-term investment that would benefit the PDET.

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

## **6. Monitoring arrangements**

The DFB monitors the implementation of this policy. This policy will be reviewed and approved by the Directors every 2 years.

## **7. Links with other policies**

This investment policy links with our policies on:

- Accounting
- Competitive tendering