

Eastwood Park Academy Trust (EPAT)

Investment Policy

Date reviewed	March 2024
Date ratified by the Trust	March 2024

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 Trust'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
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RESPONSIBILITY

The Finance Audit & Risk Committee delegate the day-to-day responsibility of managing and implementing the investment policy to the Chief Financial Officer to ensure investments are managed in accordance with this Policy and monitor regularly how the Trust's investments are performing.

OBJECTIVES

The Trust's overall investment objective is to preserve and grow capital in real terms and to generate returns that support the activities of the Trust. The Trust seeks to produce a suitable financial return within an acceptable level of risk.

Any investment decisions must be supported by a cashflow forecast that clearly demonstrates that the Trust is left with sufficient liquidity to carry out its daily activities.

COUNTERPARTY RISK

The Trust will only deposit its money with a trustworthy provider. The Trust will only use banking providers that are authorised by a relevant financial regulator such as the Financial Conduct Authority, the Prudential Regulation Authority or a relevant financial regulator in any other country.

COUNTERPARTY LIMITS

The Trust uses Fitch Ratings to look at both the Credit Rating and Financial Implied Credit Scores. The Credit Rating or Financial Implied Credit Score will be checked before each deposit placement or roll-over.

Any accrued interest is in addition to / inclusive within these maxima.

GRADE	RATING/SCORE	MAXIMUM DEPOSIT PER BANK	MAXIMUM MATURITY PERIOD
Very High	AA+	£1,000,000	5 years
	AA		
	AA-		
High	A+	£1,000,000	5 years
	A		
	A-		
Good	BBB+	£500,000	5 years
	BBB		
	BBB-		
Speculative (or below)	B+	£85,000	1 year
	B		
	B-		

CREDIT RATINGS COMPARISON TABLE

RATING	Moody's		S&P		Fitch	
	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM	LONG TERM	SHORT TERM
Very High	Aaa	P-1 (Prime-1)	AAA	A-1+	AA+	F1+
Highest (Triple A)						
Investment grade:						
Very High						
	Aa1		AA+		AA	
Very High	Aa2		AA		AA	
	Aa3		AA-		AA-	
Investment grade:	A1	P-2/P1	A+	A-1	A+	F1/F1+
High	A2		A		A	F1
	A3		A-		A-	F2/F1
				A-2		
Investment grade:	Baa1	P-2 (Prime-2)	BBB+		BBB+	F2
Good	Baa2	P-3/P2	BBB	A-3	BBB	F3/F2
	Baa3	P-3 (Prime – 3)	BBB-		BBB-	F3
Speculative Grade:	Ba1	Not Prime	BB+	B	BB+	B
Speculative	Ba2		BB		BB	
	Ba3		BB-		BB-	
Speculative Grade:	B1		B+		B+	
Highly Speculative	B2		B		B	
	B3		B-		B-	
Speculative Grade:	Caa1		CCC+	C	CCC	C
Very High Risk	Caa2		CCC			
	Caa3		CCC-			
Speculative Grade:	Ca		CC			
Very near to default			C		C	
In default	C		SD/D	D	C	RD/D

ASSESSING LIQUIDITY NEEDS

The Chief Financial Officer should ensure that a sufficient balance is held across accounts with instant access so that the Trust's financial commitments can be met without the risk of the current account going overdrawn.

A contingency amount should also be considered to give flexibility to cover any reasonable one-off events.

If interest rates are not competitive on the current account or by using a sweep facility, the Chief Financial Officer can consider placing some of the surplus cashflow funds into an appropriate instant access/easy access deposit account providing cleared funds can be repatriated within a short period of time.

The Trust's cashflow 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.

INVESTMENT PRODUCTS

Any monies held in a savings or deposit account qualify as investments. 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 ranging between 30 days up to 365 days)

Fixed term deposits (no longer than 12 months)

INVESTMENT DECISIONS

The Chief Financial Officer is responsible for producing reliable cash flow forecasts as a basis for decision making.

The Chief Financial Officer is responsible for making investment decisions that comply with this Policy.

The opening or closing of bank accounts should be authorised in line with the current Financial Regulations.

MONITORING & REPORTING

The Chief Financial Officer will report investments held and the performance of investments against objectives to the Finance, Audit & Risk Committee for review each time it meets or when requested to do so. The reporting should include:

- Funds invested
- Maturity dates / Notice maturity dates
- Interest rates
- Current market rates
- Latest cash flows

REVIEW

The Finance, Audit & Risk Committee should review the Investment Policy to ensure it is still fit for purpose annually.