Investment Policy

Approved by:	Finance & Resources	**Date:** June 2019
Last reviewed on:	June 2019	
Next review due by:	June 2020	
Monitoring & Review	The Finance & Resources Committee will review the policy every year.	
Links	Trust Treasury Management Practices Academies Financial Handbook CIPFA Treasury Management in the Public Services: Code of Practice. CIPFA Guidance for Smaller Service Organisations on the Application of the CIPFA Code of Practice for Treasury Management in Public Services. CIPFA Treasury Management Guidance Notes for HE & FE Institutions	
Staff responsible	Finance & Resources Committee, Strategic Business Director, Finance Director, Accounting Officer.	

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1. Introduction & Aims

The aim of this policy is to:

- set and prioritise strategic investment objectives.
- set a framework of treasury management practices within which managers can invest cash which is surplus to the short term working capital requirements of the Trust.
- Adopt the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).

Italics sections have been lifted straight from the Code. Other sections are based on the Code, but reflect the smaller and simpler nature of our treasury operations compared to larger organisations.

2. Policy Statement

The Trust defines its treasury management activities as the management of its cashflows, banking and money market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

The successful identification, monitoring and control of risk is the prime criteria by which the effectiveness of the Trust's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications.

The Trust acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

3. Strategic Investment Objectives

Investments must meet the following objectives in order of priority:

a) Minimise risk of losing the initial capital investment.
b) Minimise risk of inflation eroding our capital by seeking interest rates that exceed inflation.
c) Maximise interest rates.

(a) Minimise risk of losing the initial capital investment:

Investments must be diversified over a range of institutions. Investments with any single institution (or commonly owned group) will not exceed the lower of £2.5m (plus accumulated interest) or 25% of the Trust's cash.

Funds will only be invested in fixed term cash deposits with banks, building societies and financial institutions with a minimum credit rating with at least two ratings agencies:

	Long Term	**Short Term**
Standard & Poor (S&P)	A-	A-2
Fitch	A-	F2
Moodys	A3	P-2

Long term ratings only apply to deposits with a maturity date over one year. A borderline institution with "negative outlook" will normally be avoided.

If an institution is a member of the FTSE250 but is only rated by one agency, and that rating satisfies the minimum level above, up to £1m per institution can be invested.

For building societies with an asset base over £1bn but <u>no</u> credit ratings, up to £1m per institution can be invested.

Investments with overseas banks must remain in sterling in the UK.

(b) Seek interest rates that exceed inflation and (c) Maximise interest rates

Although the priority is to protect capital rather than to maximise return, the Trust recognises that the avoidance of all risk is neither appropriate nor possible. The pursuit of best value in treasury management and the use of suitable performance measures (in terms of the highest interest rates), are valid and important tools to employ within the context of effective risk management.

A balance must therefore be struck between minimising risk and maximising return and this will be achieved through the minimum credit rating in Section 1 being below the maximum credit rating available. In so doing, trustees recognise the higher risk involved but believe that this offers an acceptable level of risk and a sensible balance of risk and return.

4. Treasury Management Practices

The Trust will create and maintain suitable treasury management practices (TMPs), setting out the manner in which the Trust will seek to achieve the treasury policy objectives, and prescribing how it will manage and control those activities. The TMPs are assigned the same authority as the financial procedures and will be subject to the same internal audit scrutiny.