

Honiton Community College Academy Trust



This Policy was adopted by the Governing Body of
Honiton Community College Academy Trust
on 23rd May 2018
and will be reviewed every 2 years.

INVESTMENTS POLICY

Introduction

This policy is written in light of the Charity Commissioners' guidance "Investment of Charitable Funds" which states "We strongly recommend that charity trustees decide on an investment policy for their charity, record it clearly in writing, and keep it under review".

The investment policy should address the following considerations:-

The need for enough resources for the charity to carry out its present and future activities effectively;

The level of acceptable risk and how to manage it; and

The charity's stance on ethical investment, if any

Many charities have surplus funds not needed to fund their immediate charitable activities; this can be for a variety of reasons for example:- successful grant applications, fortuitous income or through planned annual targets.

The College should aim to keep enough liquid working capital available to cover 6 weeks operations. Funds in excess of this figure should be invested in accordance with the directive below.

General Objectives

In order to maximise income and make best use of available surplus resources to generate extra income the Governors will need to adopt the following objectives:-

Managing cash flow in order to balance investment and immediate income requirements enabling the Academy to carry out its purposes effectively in the short term.

Maintaining and, if possible enhancing the value of the investment of unrestricted funds to help carry out its purposes in the longer term.

Income from investments is to be used for furthering the Academy's aims.

Ensure the Academy is only exposed to low risk investments.

The investments are to be managed by the Director of Finance and Resources.

Investment Guidelines

Asset Mix

In general, the cash shall be invested in short term investment accounts, with an average duration of less than one year.

It is *desirable* that the selection of the portfolio take into consideration the UK Financial Services Compensation Scheme (FSCS) insurance coverage and that no more than £85,000.00 shall be placed with any one individual financial institution without the authorisation of the Resources Committee.

Where a deposit is to be placed with a financial institution not covered by the FSCS then the organisation must be rated AAA by Fitch ratings.

Permissible Investments

HCC shall follow Generally Accepted Accounting Practices (GAAP) in regards to purchasing investments and are made at the initiation of The Resources Committee who will solicit the Director of Finance and Resources proposals typically in short-term certificate of deposits, after working capital needs are determined.

The assets under the Director of Finance and Resources supervision shall be invested in a manner that is consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a prudent person shall be observed. All transactions undertaken on behalf of the Academy shall be for the sole benefit of the Academy.

The following security classifications are permissible and suitable investments for the purpose of managing the assets:

Cash Reserve

The agreed reserves should be invested in interest bearing securities, free from risk of loss, price fluctuation and instantly saleable. The reserves shall be invested in interest bearing bank accounts with a withdrawal notice period of less than one year or invested in individual fixed income securities such as bank investment accounts, Certificates of Deposit, U.K Treasury Bonds, and other similar instruments with less than one year to maturity.

Other Securities

Will only be permissible with prior approval of the Finance Committee.

Non-Permitted Investments and Transactions

The Director of Finance and Resources may not concentrate more than 10% of the portfolio in any security or issue other than Agencies of the UK Government, or bank account investments or money market instruments described above. Derivatives will not be permissible investments in this portfolio.

Financial Services Compensation Scheme

Guidance on the Charity Commission website states that although the FSCS does not specifically mention charities it does appear that charities are covered by the Scheme to the same extent as other organisations and individuals. Where investments are held with more than one FSA authorised institution the first £85,000 held with each is protected under the Scheme. From the financial risk perspective there is then a clear advantage to spreading investments across different FSA authorised financial institutions.

Investment Decision

External advise, if sought should be sourced from nationally recognised bodies i.e. Banks, to

inform the decision making process where practicably possible to assist with portfolio and related functions.

Where such advice and subsequent investment takes place, the Directors shall receive on a termly basis the following management reports:

- Portfolio performance results over the last term and year
- Performance results of comparative benchmarks for the same periods
- End of term status regarding asset allocation

The Director of Finance and Resources will make appropriate asset allocation decisions based on the particular needs, objectives, and risk profile of the portfolio.

The Director of Finance and Resources shall:

- Advise the Governors about the selection and allocation of risk
- Identifying specific investments within each asset risk
- Monitoring the performance of all selected assets
- Recommending changes to any of the above
- Periodically reviewing the suitability of the investments in the portfolio
- Preparation and presentation of appropriate reports

Review and Modification of Investment Policy Statement

This Investment Policy Statement shall be reviewed annually to determine if modifications are necessary or desirable. If modifications are made, they shall be promptly communicated to the Resources Committee.

Document History

Resources Committee (9th May) agreed the following amendment:

- Introduction, paragraph 4, second sentence '*This figure is currently £500k (March 2014)*' removed from paragraph.