

# Viking Academy Trust



## Investment Policy

**Approved by the Trust: Term 2 2023**

**Reviewed every year: Term 1**

**Last review date: Term 1 2026**

**Signed:**

A handwritten signature in black ink, appearing to read 'N. Robb', is written over a faint circular watermark of the Viking Academy Trust logo.

**Chair of Trustees**



# Investment Policy

‘Empowering children through education: One Childhood - One Chance’

## 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 Charity’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.

## Responsibility

The Trustees delegate the day-to-day responsibility of managing and implementing the Investment policy to the CFOO to ensure investments are managed in accordance with this policy and monitor regularly how the Trust’s investments are performing.

## Objectives

To identify a level of funds that can be placed on deposit to generate additional interest income for the Trust in order to support its on-going charitable objectives.

Any investment decisions must be supported by a cashflow forecast that reduces the risk of the Trust not having the liquidity required to carry out its day-to-day activities.

## Counterparty risk

Following the banking crisis of 2007/2008, the Bank of England — via the former Financial Services Authority (FSA) and now the Financial Conduct Authority (FCA) together with the Prudential Regulation Authority (PRA) — implemented enhanced regulation and capital-requirement standards for UK-licensed banks. These reforms were intended to strengthen the resilience of the UK banking system and protect depositors. In line with that prudential framework, the Trust will only place deposits with institutions authorised under a UK banking licence regulated by the FCA/PRA.



The Trust remains mindful of safeguarding deposit levels. Under the FSCS, deposits with a UK-authorized bank, building society or credit union are protected up to £120,000 per eligible person, per authorised firm, in the event of a bank failure — an increase from the previous limit of £85,000.

Therefore, by ensuring that deposits are held only with properly authorised institutions, and by being aware of the deposit protection thresholds, the Trust seeks to maximise the security of its funds.

### Counterparty limits

For Institutions with an Investment Grade “good” or better credit rating or implied credit rating the Trust can deposit a maximum of £5,000,000 (plus interest accrued) in any one institution.

These ratings include:

Baa3 / P-3 or better (Moody’s) or

BBB- / A-3 or better (S&P) or

BBB- / F3 or better (Fitch) or

An implied rating of BBB- or better

The Credit rating or Implied Credit Rating will be checked with Insignis at the time of placing a deposit with a new bank.

It is worth noting that Implied Credit Ratings are usually the ‘long term’ position, however, the Trust will only by depositing ‘short term’ in deposits with a maturity date or notice period of 12-months or less

The Trust will further reduce its counterparty risk by having deposits with at least two institutions.

It is recognised that the Trust’s current account balance(s) may exceed the deposit limits stated above. For the purpose of this investment policy, current account balances are excluded from the counterparty limits detailed above.

**The trust will not invest in an account if an institution has a lower credit rating than that detailed above’ (green in the table below)**

**Bank ratings to be requested from Insignis and checked monthly against the table below.**



Credit Rating and Implied Credit Rating Summary provided by Insignis (January 2022)

Overview:

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

## Assessing liquidity needs

The Trust should ensure that a sufficient balance be held across accounts with short term (Instant or easy access) so that the Trust's financial commitments can be met without the risk of the current account going overdrawn.

It should also allow enough flexibility to deal with reasonable, one-off events should they occur.

The Trust's cash flow 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.

It is noted that notice and term deposits will not be accessible before the required notice period or maturity date for any reason.

## Investment Products

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 from 30-days to 100+ days)

Fixed term deposits (typically from 1-month to 12-months)

Investment maturity dates should not exceed 12-months in term unless funds are held for a specific future product with no risk of requiring access in the meantime.

It is recognised that funds cannot be accessed before the relevant period of notice is given or, for fixed term deposits, at maturity.

## Investment Decisions

The **CFOO** is responsible for producing reliable cash flow forecasts as a basis for decision making.

The **CFOO** is responsible for making investment decisions that comply with this Policy.

The CEO (EHT) may delegate for the CFOO in this matter.

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

Deposit facilities in use by the Trust must be restricted to 'dual control' for the opening of a deposit, placing funds and withdrawing funds.

The single transaction limit for the trust's bank account (Natwest), is £120,000. Therefore, there will be points where this is temporarily lifted to allow investments to take place and then returned to £120,000 immediately.

This process is available on Bankline and is requested by the **CFOO** and approved by the **CEO or TBM**, emailed evidence is saved for audit purposes.



## Monitoring & Reporting

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

- Funds invested
- Maturity dates
- Interest rates
- Current market rates
- Blended returns achieved against expected performance and policy benchmarks
- Latest cash flows showing 12-month liquidity requirements
- Recommendations for the next **3 months**.

**Review:** Trustees should review the Investment policy to ensure it is still fit for purpose ***Annually or as required***.

### **Timescales and considerations**

- Adding funds to the hub from Natwest is not instant. This takes approx. 2 hours and is confirmed by an email.
- Moving funds from the hub to the individual bank can only be done by a preparer (3 x Finance Officers). Once the approver (CEO, CFOO, TBM) has confirmed these actions, the status will move to 'action pending'.
- The trust currently invests £560k or total GAG whichever is the lowest into an easy access account the from GAG on 1<sup>st</sup> of the month, or as near to as possible once the GAG funding reaches the NATWEST account. The £560k is based on the total cost of payroll and will be reviewed termly.
- This £560k needs to be reclaimed from Insignis in time for payroll to run and this typically can take 5 working days.

FAR agreed for the Trust to invest within the following guidelines.

1. Up to £560k (Salary money) to be put in an instant access until the 18th of the month to start with, split between up to 5 companies.
2. Up to £750k to be put in a 90 - day account spread over up to 7 companies
3. Up to £150k to be put in a 30 - day account split between 2 companies

Investment Policy procedures and guidelines to be raised at FAR annually.