INVESTMENT POLICY

Issued: October 2016
Reviewed: March 2025
Next Review Due: September 2026

Bradford Diocesan Academies Trust

Version	Date	Note of Revision
1.0	11/5/2023	Reserves & Investment Policy split into 2 separate policies due to the introduction of the investment platform
1.1	26/7/2023	Reviewed risk appetite principles of investment and local governance – Section 7
2.0	3/9/2024	Review policy
2.1	16/10/2024	Credit ratings added from Fitch, Moody, Standard & Poor. Authorisation of Investments by FARC
2.2	18/2/2025	Updated risk categorisation of investments. Max investment is £1m

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Principles

As part of our focus on diversity and inclusion, BDAT pledges that our policies will seek to promote equality, fairness, and respect for all staff and students. Our policies reflect the BDAT values of inclusion, compassion, aspiration, resilience, and excellence. By working closely with a range of stakeholders, such as our school, union, and HR colleagues, we have ensured that BDAT's policies do not unlawfully discriminate against anybody.

1. Introduction

The purpose of the Investment Policy is to set out the processes by which the BDAT's Board of Trustees will meet their duties under the Trust's Articles of Association and the Academy Trust Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the Trust's charitable aims and to ensure that investment risk is properly and prudently managed.

The Trust aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations. In addition, the Trust aims to invest surplus cash funds to optimise returns whilst ensuring the investment instruments are such that there is minimal risk of financial loss.

2. Responsibility

Whilst the Board of Trustees has responsibility for the Trust's finances, the Scheme of Delegation delegates responsibility to the Finance and Resources Committee and the Risk and Audit Committee to approve the Investments Policy. The Investment Policy provides the procedures to manage, control and track financial exposure whilst ensuring value for money. The Trust's investments are to be reviewed regularly and reported at every Finance and Resources Committee and Risk and Audit Committee.

The Chief Executive Officer is responsible for the implementation of this policy in conjunction with the Chief Finance Officer.

The Chief Finance Officer is responsible for producing reliable cash flow forecasts as a basis for decision making and is responsible for making investment decisions that comply with this policy.

The Chief Finance Officer is responsible for providing sufficient management information to the Finance and Resources Committee and the Risk and Audit Committee so it can review and monitor investment performance.

3. Objectives

The investment objectives are:

- To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements;
- Act within Charity's power to invest;
- Only invest funds surplus to operational need based on all financial commitments being met without the Trust's bank accounts becoming overdrawn;
- To ensure the policy reflects the protection of capital takes precedence over investment returns.
- To optimise returns on invested funds within policy controls with professional advice if required;
- Invest surplus funds only in UK FCA registered banks. ;
- Maintain ethical efficacy with all investments;
- Set investment criteria and thresholds;
- Investments which are classed as Novel, Contentious or Repercussive must have ESFA approval prior to the investment.

4. Assessing Liquidity Needs

The Trust will have a cash management schedule which will create cash headroom in the central bank account providing opportunity to invest surplus balances. The net returns will be apportioned back to academies.

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5. Investment Products

The Trust is able to invest surplus funds into the following types of investment:

- Instant access accounts
- Notice deposit accounts (typically 30 days to 100+ days)
- Fixed Term deposit accounts (typically 1 month to 12 months)

The maturity dates of investments should not exceed 12 months unless funds are held for a specific purpose or project 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 fixed term deposits, at maturity.

The decisions on how much to invest and for how long will be based on operational cash flow, the parameters of investment and the prudent risk appetite of the Trustees. All investments will be approved by the Chief Executive Officer and the Chief Finance Officer.

6. Ethical Investment

BDAT is mindful of its underlying principle to further the purpose of the BDAT (provision of education and the Christian ethos); that purpose will ordinarily be best served by seeking the maximum return consistent with commercial prudence. Therefore, BDAT will seek to use a combination of positive and negative criteria to influence the investment decision making process.

Positive Criteria:

- Responsible employment practices.
- Best corporate Governance practice.
- Conscientious about human rights.
- Sustainable environmental practice.

Sensitivity towards the communities in which the business operates. BDAT has given due consideration to the guidance issued by the Charities Commission (CC14) Investing charity money: guidance for trustees (CC14) - GOV.UK (www.gov.uk) and has recommended against any direct investment in the following types of organisation:

- Any organisation that is directly involved in indiscriminate weaponry.
- Any organisation that produces pornography.
- Any organisation where their principal business activity or focus is tobacco, gambling, or weekly collected home credit.

7. Counterparty Risk

The Trust aims to manage the risk of investments by spreading deposits across UK based banks and following the 2007/08 banking crisis the Bank of England have (through the FSA and latterly, the FCA and PRA) implemented changes to the banking regulation and capital requirements of the UK FCA registered banks to ensure the stability of the UK Banking system. As such, the Trust can only make cash deposits with institutions with a UK banking licence regulated by the FCA.

8. Counterparty Restrictions.

The table below shows the levels the Trust can deposit with institutions carrying a particular credit rating or implied credit rating at the time of the deposit.

Rating	Moody's Long Term	Moody's Short Term	S&P Long Term	S&P Short Term	Fitch Long Term	Fitch Short Term	
Investment grade: Highest (Triple A)	Aaa	P-1 (Prime-1)	AAA	A-1+	AAA	F1+	Limit = £1m per institution (plus interest accrued) or 50% of total funds (whichever is the lower)
Investment grade: Very high	Aa1		AA+		AA+		
	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-	F2/F1	
Investment grade: Good	Baa1	P-2 (Prime-2)	BBB+	A-2	BBB+	F2	Limit = £500k per institution (plus interest accrued) or 25% of total funds (whichever is the lower)
	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	Limit = £0
	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	

9 Investment Decisions

The CFO is responsible for producing reliable cash flow forecasts as a basis for decision making. The CFO is responsible for making investment decisions that comply with this policy. The deposit facilities in use by the Trust must be restricted to dual control for the opening of a deposit, placing funds and withdrawing funds.

10 Monitoring and Reporting

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

- Funds invested
- Maturity dates
- Interest rates
- Latest cash flow showing 12-month liquidity requirements
- Recommendations for next 3 months.

11 Review

Trustees should review the Investment policy to ensure it is still fit for purpose annually.