OUR LADY OF LOURDES

CATHOLIC MULTI-ACADEMY TRUST

Investment Policy

November 2022

Introduction

The purpose of the Investments Policy is to set out the process by which the Our Lady of Lourdes Catholic Multi-Academy Trust will meet its duty under the CMAT's Articles of Association and the ESFA's Academies Trust Handbook to invest monies surplus to operational requirements in furtherance of the Academy's charitable aims. In doing so the CMAT will ensure that investment risk is properly and prudently managed.

Objectives

The investment objectives are:

- To achieve the best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation
- To only invest funds surplus to operational need based on all financial commitments being met without the CMAT bank account becoming overdrawn
- by complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the CMAT

Definition of duties

The Finance and Estates Committee is responsible for:

- Reviewing the CMAT's investment policy every two years.
- Reviewing the CMAT's investment portfolio on a half termly basis.
- Controlling and tracking the CMAT's financial exposure an ensuring that the identification, control and monitoring of risk is a prime factor by which the effectiveness of its treasury management activities will be measured. The analysis and reporting of treasury management activities will focus on their risk implications for the CMAT.
- Ensuring value for money via effective treasury management that will provide support towards achieving its business and service objectives. There is commitment to the principles of achieving value for money by ensuring robust treasury management through the policies operating procedures which include the deployment of effective risk management.

The Finance and Estates Committee delegates responsibility for the implementation, scrutiny and monitoring of its cash balances, treasury management policies and procedures to its Treasury Management Group (TMG). The TMG members are as follows:

- The Chief Operating Officer
- Head of Finance

The Chief Operating Officer is accountable for ensuring the implementation of the Investments Policy and the Operating Procedures defined within. These include:

- *Risk Management (OP1)*
- *Decision Making and Analysis (OP2)*
- *Responsibilities and Process Control (OP3)*
- *Monitoring and Reporting (OP4)*
- *Review and Governance (OP5)*

OP1. Risk Management

The Treasury Management Group will administrate and monitor all activities including the identification, management, and control of treasury management risk. Reports will be produced in accordance with the procedures set out in OP4. Monitoring and Reporting. The procedures will seek to consider each of the following risks.

Counterparty Risk

The risk of failure by a counterparty to meet its contractual obligations to the Trust under an investment, particularly because of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Trusts capital or revenue resources.

To further manage the risk of loss through an institution defaulting, at least two institutions (as well as the Trust's clearing bank) should be utilised for deposits. In addition, no more than £5,000,000 (plus interest accrued) should be on deposit (beyond instant access) with any one institution

To ensure greater security, counterparty risk is considered with the following requirements for institutions the Trust will deposit funds with. The Institution must have a UK banking licence and be regulated by the FCA.

The Trust regards a key objective of its treasury management activities to be the security of the principal sums it invests. It will ensure that its Treasury Management Group, policies, and operating procedures reflect a prudent attitude towards organisations with which funds may be deposited and will limit its investment activities to parameters outlined in OP2. Decision Making and Analysis.

The Treasury Management Group will monitor ratings and other influencing factors as listed in OP4. Monitoring and Reporting. It will use this information to determine if any changes are required to the policies applied methodology.

Liquidity Risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Trust's business/service objectives will be thereby compromised.

The Trusts positive cashflows, through historical data analysis, remain level across most months with higher levels of outflow weighted in the first quarter of the academic/financial year September -November. This relates to the number of capital projects carried out during the summer break and where related invoices fall due for payment.

The Treasury Management Group will adopt a layered investment approach as noted in OP3. Responsibilities and Process Control, to ensure timely access to funds whilst still achieving worthwhile returns.

The Treasury Management group will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Interest Rate Risk

The Academy Trust Handbook prevents the Trust from borrowing money and therefore interest rate risks are minimal. The Treasury Management group will regularly monitor interest rates in order that the Trust may benefit from advantageous changes in interest receivable.

Legal and Regulatory Risk

The risk that the Trust itself, or a counterparty with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Trust suffers losses accordingly.

The Trust will ensure that all its treasury management activities comply with its regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

The Trust recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Trust.

Following the Banking Crisis in 2008, The Bank of England have (through the FSA and latterly, the FCA) implemented changes to the regulation and stability of the UK Banking system including stress testing and enhanced capital requirements. This includes regulation, supervision, monitoring by the following authorities:

FCA (Financial Conduct Authority)

FPC (Financial Policy Committee)

PRA (Prudential Regulation Authority)

Fraud and Error Risk

The risk that the Trust fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

The Trust will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Market risk

The risk that, through adverse market fluctuations in the value of the principal sums the Trust invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Trust will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations. Decisions on investment in tradeable securities, which risk loss of capital due to market fluctuations, will only be authorised by the Treasury Management Group.

Reputational risk

The risk that the Trust's Ethos is compromised and reputation potentially damaged through investment where with Counterparties where ethics may be questioned.

The Trust will refrain from investing cash deposits with the UK arm of banks or other institutions where the Country or its Government have poor records relating to:

- Human rights
- Environmentally dangerous practices
- Employee welfare standards
- Transparency of activities

OP2. Decision Making and Analysis

Decisions on how much to invest and how long to invest for, will be based on operational requirements, demonstrated by cash flow forecasts produced by the Chief Operating Officer. The cash flow forecasts will take account of the annual budget and spending plans approved by the Board and updated monthly.

A sufficient balance must be held on instant access so that the CMAT's financial commitments can always be met without the bank account going overdrawn. The size of the balance will be determined by a forecast of future need and kept under review. It will also consider enough flexibility to deal with reasonable one-off events, should they occur.

Investments will be in sterling and for a fixed term which should not normally exceed one year to provide flexibility for the following year's plans. Any opportunity exceeding one year to the benefit of the CMAT, should have a clear rationale and risk mitigation assessment which is presented to the Finance and Estates Committee for approval. This would be considered an exceptional item.

The Treasury Management Group, post a comprehensive risk analysis which considers all elements within OP1 can invest surplus funds in interest-bearing accounts, such as:

- Overnight (instant access)
- Notice accounts (typically from 30-days to 100+ days)
- Fixed term deposits (typically from 1-month to 12-months)

Investments will only be placed with UK registered institutions that have a credit rating or implied credit rating that is considered 'investment grade' at the time of deposit (see Table.1 below). Institutions which fall within the stipulated rating will constitute the Approved List.

No investments will be placed with institutions that have a credit rating or implied credit rating which is speculative, highly speculative, very high risk, near to default or in default at the time of deposit. (see Table.1 below)

Table.1 Credit Rating and Implied Credit Rating

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		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		BB+		BB+	
	Ba2		BB		BB	
	Ba3		BB-	B	BB-	B
Speculative grade: Highly speculative	B1		B+		B+	
	B2		B		B	
	B3		B-		B-	
Speculative grade: Very high risk	Caa1	Not Prime	CCC+			
	Caa2		CCC		CCC	
	Caa3		CCC-	C		C
Speculative grade: Very near to default			CC		CC	
	Ca		C		C	
			C		C	
In default	C		SD/D	D	RD/D	RD/D

Summary provided by Insignis (January 2022)

Rate changes and market conditions will be monitored by the Treasury Management Group.

The Treasury Management Group will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time.

Treasury management processes and practices are well-documented. These are reviewed and agreed by the Treasury Management Group following any material changes. Full records are maintained of all treasury management decisions to demonstrate compliance of processes and for audit purposes. Where appropriate, decisions are reported to the Finance and Estates Committee.

OP3. Responsibilities and Process Control

The Trust considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that procedures are structured and managed in a fully integrated manner, and that there is always a clarity of treasury management responsibilities.

The Treasury Management Group will ensure that there is proper documentation for all transactions, and that procedures exist for the effective transmission of funds.

The current responsibilities are outlined below.

- Treasury management strategy, policies and practices are authorised by the Finance and Estates Committee.

- Responsibility for the implementation, scrutiny and regular monitoring of the treasury management policies and practices is delegated to the Treasury Management Group.

Treasury Management will be carried out and include:

- Cashflow forecasts, which will be produced as noted in OP2 to support the decision-making process and provide security for the operational needs of the CMAT. This will be maintained monthly, utilised and reviewed by the Treasury Management Group.

- The TMG will utilise the most effective cash management tools and resources available to minimise risk, administer and manage investments, ensure maximisation on the return of those investments, and always ensure ownership of funds and data security. Such tools should support the TMG in accessing a gateway to multiple current, competitive investment opportunities which sit within the parameters of the Trusts Investment Policy.

- The Treasury Management Group will adopt a layered investment approach that will be approved annually by the finance and estates committee.

- Investments will go through a two-tiered approval process via any online cash management platform or when transferring funds through the banking system. This will ensure that no one individual can authorise transmission of funds independently of the Treasury Management Group.

OP4. Monitoring and Reporting

The Treasury Management Group will ensure regular monitoring of:

- Risks, including the implications of regulatory, budgetary, economic, market and any other influencing factor changes.
- Media - Government, the Bank of England and other regulatory body announcements.
- The Approved List of institutions where investments can be placed.
- Cashflow levels, current and forecasts.

- Current and/or planned investments.
- Treasury management tools including cash management platforms and any externally procured professional services.

The Treasury Management Group will ensure regular reports are prepared, providing sufficient management information to the Finance and Estates Committee so it can review and monitor investment performance

The Finance and Estates Committee will receive:

- A copy of the Investments policy highlighting any changes and ensuring it falls within the regulations detailed in the Academy Trust Handbook.
- An annual report including the annual maturity value, outturn against objectives and the strategy to be pursued in the coming year.
- Half termly cashflow forecast.
- Half termly investment profile and performance.
- Half termly update on the performance of the Treasury Management Group including any non-compliance items

OP5. Review and Governance

The Trust is committed to the pursuit of proper corporate governance throughout and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.

These measures are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if necessary, report upon the effectiveness of these arrangements.

Ratification Date	30th November 2022
Date of Next Review	Every 2 years – November 2024
Reviewer	OLoL Finance & Estates Committee / OLoL Exec Board
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