

SOKE EDUCATION TRUST

Investment Policy

Approved via Governorhub

Approved Date	November 2025
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Investment Policy

This Investment policy is designed to only apply to short term cash-based deposits and does not apply to any strategy that may be in place or put in place for investing in 'capital at risk' investments. It takes into account both the Academy Trust Handbook and the DfE "Managing Academy Trust Reserves / Academy Trust Reserves" guidance issued on the 2nd June 2025.

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 COFO to ensure investments are managed in accordance with this policy and monitor regularly how the Trust's investments are performing. This in no way precludes any signing requirements as detailed in this policy. If the trust wishes to make deposits that do not meet the above requirements, then these will need a minuted, explicit approval from the Finance and People Committee. In accordance with DfE requirements, investments in equity bond is prohibited, however the Trust may invest in government bonds and make cash deposits in UK banks

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 without the bank account becoming overdrawn. 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.

Investment Products

The DfE Guidance "Managing Academy Trust Reserves: dated 2nd June 2025 states:

Considerations for the Board:

if funds are not needed now, how the trust might be able to invest them to generate some extra income by reviewing current trust bank and saving accounts, cash reserve locations and interest rates available to establish where or how investment returns may increase, including:

- *reviewing type and amount of acc*

- *avoiding capital at risk investments*
- *ensuring funds are deposited with banks or financial institutions that are registered and regulated by the Financial Conduct Authority (FCA) in the UK*

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.

The profile and restrictions of the most common deposit accounts are

Easy Access:

No notice needed to make withdrawals.

Funds are usually returned overnight or within a few days

Interest Rates are variable

Notice Accounts:

No access without giving the required notice

Interest Rates are variable

Fixed Term Deposits:

No access until the deposit matures

Interest Rates are fixed for the term

Counterparty risk

Following the Banking Crisis in 2007/2008, The Bank of England have (through the FSA and latterly, the FCA and PRA) implemented changes to banking regulation and capital requirements of UK FCA registered banks to ensure the stability of the Banking system. Taking this and the DfE guidance into account, the Trust can only make cash deposits with institutions with a UK banking licence regulated by the FCA. The Trust will not enter into any “capital at risk” investment.

Counterparty Restrictions

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 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.

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 Aa2 Aa3		AA+ AA AA-	A-1+	AA+ AA AA-	F1+
Investment grade: High	A1 A2 A3		A+ A A-	A-1	A+ A A-	F1/F1+ F1
Investment grade: Good	Baa1 Baa2 Baa3	P-2/P-1 P-2/P-1 P-2 (Prime-2) P-3/P-2 P-3 (Prime-3)	BBB+ BBB BBB-	A-2 A-3	BBB+ BBB BBB-	F2 F3/F2 F3
Speculative grade: Speculative	Ba1 Ba2 Ba3	Not Prime	BB+ BB BB-	B	BB+ BB BB-	B
Speculative grade: Highly speculative	B1 B2 B3		B+ B B-		B+ B B-	
Speculative grade: Very high risk	Caa1 Caa2 Caa3		CCC+ CCC CCC-	C	CCC	C
Speculative grade: Very near to default	Ca		CC C C		CC 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 Decisions

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

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

Deposit facilities in use by the Trust must be restricted to 'dual control' (two independent members of staff from the Trust Central Team) for the opening of a deposit, placing funds and withdrawing funds subject to the limitations in this Policy and further instructions imposed by the Directors.

Monitoring & Reporting

The COFO will report investments held and the performance of investments against objectives to the Finance and People 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 flows showing 12-month liquidity requirements
- Recommendations for the next 3 *months*.

Bank Account - Funding & Sweeping

In order to maximise funding possibilities, the Trust uses the Lloyds bank education Funding & Creaming service. An agreed minimum balance of cash is left in the bank account with the excess automatically moved into a higher interest account each day. The COFO meets with the Trusts banking advisor on a regular basis to review the account and service.

Use of third-party platforms:

The Trust may make the use of third-party platforms to manage its investments provided:

- Approval is given by the trustee board
- The trust reviews the terms of such platforms at least every two years and
- The trust considers the total potential fees paid over that period to the platform in line with the finance and Procurement regulations.

Ethical Investments

The trust will avoid investments in industries that do not align with our ethical values, such as tobacco and firearms.

Appendix A - Investment Strategy

Assumptions

- Month end balances are usually the 'low point' for cash held
- 1st of the month balance is usually the peak balance for cash held
- Net Salary Pay Day is the largest monthly regular expense
- Capital funding is annual or following a successful CiF bid – this will increase cash held for certain period

Goal

- To generate more interest income on cash held whilst minimising the cash held in low paying current accounts or sweep facilities
- Ensure cash is available when needed for known and unexpected expenses

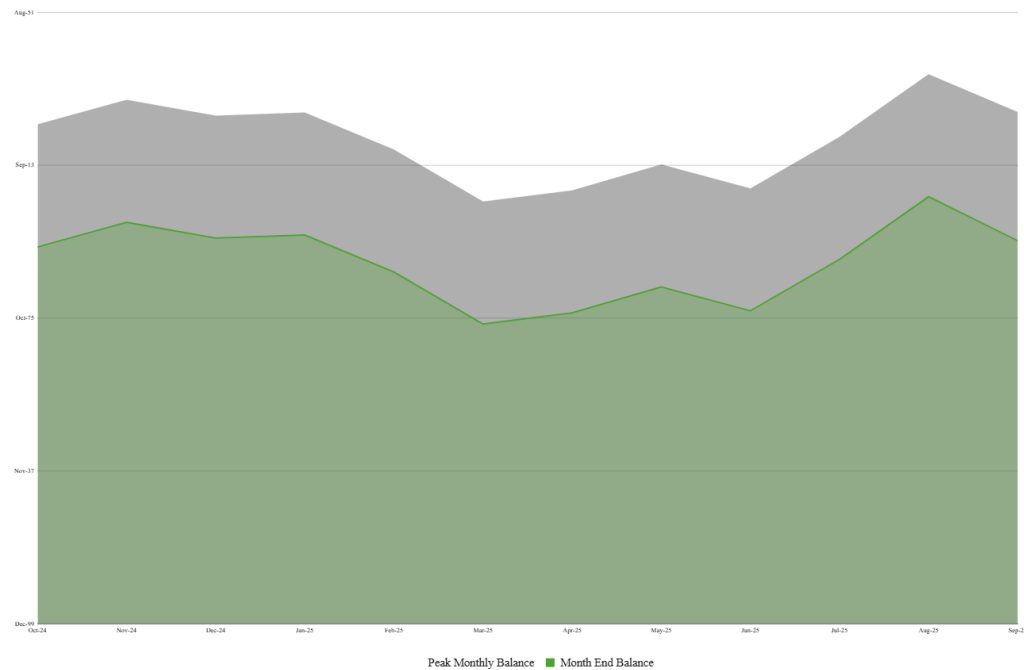
Know your current position

On the "Cash Deposit Strategy" spreadsheet, insert:

1. Total cash held at month end for the last 12-months (include current account balances and all deposits held both on the Insignis platform and elsewhere. Ensure any early GAG funding is excluded).
2. The amount of GAG funding received on the 1st of the month over the last 12- months

This will show the high and low cash balances for each month over the last year. The Dark Green area is cash not used over the last year.

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
	£	£	£	£	£	£	£	£	£	£	£	£
Month End Cash	2,464,810	2,626,129	2,522,838	2,542,851	2,301,301	1,960,631	2,034,078	2,202,826	2,047,089	2,383,325	2,793,883	2,505,250
GAG funding on 1st month	801,365	801,365	801,365	801,365	801,365	801,365	801,365	801,365	801,365	801,365	801,365	841,385
Peak Balances	3,266,175	3,427,494	3,324,203	3,344,216	3,102,666	2,761,996	2,835,443	3,004,191	2,848,454	3,184,690	3,595,248	3,346,635



Insignis Strategy

Use a mixture of Easy Access, Notice and Fixed rate accounts based on known future needs and Investment Policy to create a blend of deposits keeping the balance in the current account to a bare minimum at month end (withdrawals can be made from the Easy Access accounts to get funds back into the current account within 5 working days).

Lowest Month End Cash - £1,960,631

Average Month End Cash - £2,594,979

Lloyds - £1,100,000 (on 1st of the month prior to Net Salary portion of GAG being moved to Insignis)

Current Account - £10,000

Savings Account - £1,090,000

Insignis - up to £2.5m (dependent on monthly review of cashflow)

Easy Access - up to £1m plus Net Pay and any CIF funding received ahead of project commencement

1 month/30 days - £750,000

3 month - £500,000

1 year - £250,000

Utilise the net salary portion of GAG funding

Place the net salary portion of GAG funding on an Easy Access deposit via the Insignis platform and then withdraw it 5 working days before net salary is paid.

Example:

GAG Funding = £841,365

Net Salary equivalent = £646,931

Net Salary Pay day = working example 28th - reality is last working day of the month

Indicative Easy Access interest rate = 3.50%

Interest earned on net salary deposit:

£646,931 deposited 1st of the month and withdrawn 5 working days before payroll run

Interest earned daily on £646,931 at an annual rate of 3.50%

$£646,931 \times 3.50\% = £22,642.59$ per year

= £62.03 per day

= £1,240.69 for a 20-day deposit

Repeated monthly this generates circa £14,888.28 additional interest on top of your existing deposit strategy per year.

Summary

- Cash deposit strategy spreadsheet used to plot Trusts cash graph
- Ensure current deposit strategy includes Easy Access Accounts and minimises the month end balance in the current account
- Calculate Net salary cost from GAG
- Deposit Net Salary funds to the Insignis Easy Access Deposit account monthly on the 1st (Faster Payments is best but BACS will also work)
- Calculate at least 5 working days before net salary is paid and request the withdrawal on this date to ensure funds are back to cover payroll
- Deposits and Withdrawals actioned before 11am tend to arrive 1 day earlier as the bank receives the instructions during banking hours
- Ensure sufficient operators (Requestors and Approvers) to ensure withdrawals can be made when a staff member is absent
- Deposit Capital funding when received until it needs to be spent