



The Island Learning Trust

INVESTMENT POLICY

December 2025

Purpose and scope

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

In doing so, Trustees must:

- Act within their Academy Trust'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

Definition of duties and responsibilities

The Academy Trust's Articles gives Trustees the power "to expend the funds of the Trust in such manner as they shall consider most beneficial for the achievement of the Objects and to invest in the name of the Trust such part of the funds as they may see fit and to direct the sale or transposition of any such investments and to expend the proceeds of any such sale in furtherance of the Objects."

The Board of Trustees has responsibility for the Trust's finances including approving the Investments Policy to manage, control and track financial exposure, and ensure value for money; to review the trust's investments and investment policy on a regular basis.

The Chief Financial Officer is responsible for producing reliable cash flow forecasts as a basis for decision making. They are responsible for making investment decisions that comply with this Policy and for providing sufficient management information to the Trust Board so it can review and monitor investment performance.

Objectives

The investment objectives are:

- to achieve best financial return available whilst ensuring that security of deposits takes precedence over revenue maximisation.

- Only invest funds surplus to operational need based on all financial commitments being met without the Academy Trust 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 Academy Trust, commanding broad public support.

The Trust will not undertake investments that involve the potential loss of capital. Investments will only be made where the security of funds, liquidity requirements and propriety considerations have been fully assessed.

Counterparty risk

Following the Banking Crisis in 2008, The Bank of England have (through the FSA and latterly, the FCA) implemented changes to stress testing and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system.

As such, the Trust can only make deposits with Banks or Building Societies with a UK banking licence and regulated by the FCA and PRA.

Investment strategy and counterparty limits

Investment risk will be managed through asset class selection and diversification to ensure that security of deposits takes precedence over revenue maximisation.

For Institutions with a “good” or better credit rating or implied credit rating (also known as Investment grade), the Trust will deposit a maximum of £4,000,000 (plus interest accrued)* 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. Where a counterparty's credit rating falls below the limits specified within this policy, no further deposits will be placed with that institution until the rating has improved or Trustee approval has been obtained. If an institution has a lower credit rating than that detailed above, the Trust will deposit a maximum of £120,000 (plus interest accrued).

*if from time to time the Trust is in receipt of capital funds i.e. Condition Improvement Funding (CIF), then amounts relating to CIF are allowed to be deposited taking the Trust's overall position above £4,000,000 – this is to enable maximum return on the funding but also being aware the cash will only be held on deposit for a short period subject to supplier invoices.

Ratings comparison supplied by Insignis Cash Solutions

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		Limit = £10m per institution (plus interest accrued)
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+	Limit = £5m per institution (plus interest accrued)
	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 = £1m per institution (plus interest accrued)
	Baa2	P-3/P-2	BBB		BBB	F3/F2	
	Baa3	P-3 (Prime-3)	BBB-	A-3	BBB-	F3	
Speculative grade: Speculative	Ba1		BB+		BB+		Limit = £120,000
	Ba2		BB		BB		
	Ba3		BB-		BB-		
Speculative grade: Highly speculative	B1		B+	B	B+	B	
	B2		B		B		
	B3		B-		B-		
Speculative grade: Very high risk	Caa1	Not Prime	CCC+		CCC		Limit = £0
	Caa2		CCC				
	Caa3		CCC-				
Speculative grade: Very near to default	Ca		CC	C	CC	C	
			C		C		
In default	C		SD/D	D	RD/D	RD/D	

The Trust will not engage in speculative investment activity or investment arrangements that could expose public funds to undue risk.

Spending and liquidity policy

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 Financial Officer. The cash flow forecasts will take account of the annual budget and spending plans approved by the Trustees and updated on a monthly basis.

A sufficient balance must be held in the current account so that the Academy Trust'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.

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

Investments for a fixed term should not normally exceed one year in order to provide flexibility for the following year's plans, unless a clear rationale is provided for exceeding one year to the benefit of the Academy Trust.

Investment decisions

The Chief Operating Officer will support the Chief Financial Officer by providing information regarding operational spending plans, capital projects, estates programmes and other commitments that may affect investment decisions and liquidity requirements.

The Chief Financial Officer is responsible for making investment decisions that comply with this Policy.

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

Monitoring and review

The Chief Financial Officer will monitor the cash position and cash flow forecast and report investments held and the performance of investments against objectives to the Trust Board (via the Finance, Audit and Risk Committee) at appropriate intervals (for example 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

Compliance with this policy may be reviewed periodically through the Trust's internal scrutiny programme. The Trust Board will review compliance with this policy annually regardless of the formal policy review cycle.

This Investment Policy will be reviewed by the Chief Financial Officer and approved by the Trust Board on a three-yearly cycle, or earlier where significant changes in regulation, banking arrangements or Trust operations occur.

Policy Reviewed:	December 2025
Next Review:	December 2028
Signature of Chair of the Trust Board:	Signature of CEO: