



Humber Education Trust

Investment Policy

| | |
|-------------------|------------------|
| Created By: | Nina Siddle, CFO |
| Approved By: | Trust Board |
| Version: | 1.2 |
| Created on: | December 2017 |
| Amended on: | March 2020 |
| Next review date: | March 2022 |

Contents

| | |
|----------------------------------|--------|
| Policy Statement | Page 3 |
| Policy Scope | Page 3 |
| Aims and Objectives | Page 3 |
| Responsibilities | Page 4 |
| Implementation and Liquidity | Page 5 |
| Investment and Counterparty Risk | Page 5 |
| Ethics | Page 5 |
| Monitoring and Reporting | Page 6 |
| Policy Review | Page 6 |

Policy Statement

This policy governs the investment strategy of Humber Education Trust (HET) and all establishments that constitute HET. As defined by its Articles of Association, Master Funding Agreement and the Academies Act 2010; HET is a company limited guarantee and an exempt charity and therefore is required to comply with charity and company law. The management of funds under the control of HET are defined as charitable funds and therefore all financial investments/vehicles must comply with the requirements of the:

- Charities Act 2011,
- Charity Commission (CC14/CC35),
- Financial Services and Markets Act (FSMA) 2000; and the
- Trustee Act 2000.

The charitable funds of HET are derived from government and local authority grants; these funds are defined as restricted. Additional charitable funds are generated through the operational nature of HET's work, including but not limited to the provision of education, training and development; these funds are defined as unrestricted.

The Trustee of these funds is HET, which is managed by a Board of Trustees. Therefore, there is a sole corporate body with responsibility for managing and administering the assets, funds and investments of the charity.

Policy Scope

This policy applies to all individuals whether employed, volunteer or those with significant control of HET; a breach of this and/or any related policy may result in disciplinary action.

Aims and Objectives

The investment objectives of HET are to:

- achieve a long-term real rate of return, net of inflation, to provide a source of income to meet beneficiary and operational needs without subjecting the investment principle to large disinvestment that could impact the ability to meet future long-term financial commitments;
- provide HET with an income stream to help maintain its operational effectiveness and efficiency in the short term,
- protect financial returns for present and future beneficiaries,

- ensure all investment decisions are exercised with care and skill and consequently be in the best interests of the beneficiaries of HET, commanding broad public support.

However, a total return approach will take precedent, allowing HET to focus on investments providing optimal performance in terms of overall return rather than investments which would provide the right balance of capital and revenue return.

Responsibilities

Board of Trustees

Trustees' financial investment responsibilities can be summarised as follows:

- know, and act within, their statutory powers to invest,
- exercise care and skill when making investment decisions,
- select investments that are appropriate for HET's; this means taking account of:
 - how suitable any investment is for HET
 - the need to diversify investments
- take advice from someone experienced in investment matters unless they have good reason for not doing so,
- follow certain legal requirements if they are going to use someone to manage investments on their behalf,
- review investments from time to time; and
- explain their investment policy in the trustees' annual report.

Trustees' also have responsibility for determining the overall investment objectives, determination of the risk and return relationship, investment composition and tax implications.

Chief Financial Officer

The Chief Financial Officer (CFO) is responsible for ensuring that fund managers/investment advisors and their staff are aware of HET's investment policy, and for ensuring that the policy is followed for all investments held. The CFO is also authorised to withdraw and deposit funds from and into liquid investments (cash deposits) to meet immediate working capital requirements, subject to the existing authorisation protocols.

Implementation and Liquidity

Determination 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 CFO. The cash flow forecasts will take account of the annual budget and spending plans approved by trustee and updated on a regular basis.

Adequate cash balances must be maintained to ensure that there are always sufficient funds to meet financial commitments as and when they fall due. The size of the balance will be determined by a forecast of future need and kept under review.

Surplus funds should be invested in variable tranches reflecting short, medium and long term time horizons and investment sum; ensuring a regular cycle of investment and returns. Investments will need to be based on a balance of risk and return however, it may be prudent to spread the investments across multiple institutions to diversify risk.

Investment & Counterparty Risk

HET acknowledges to achieve an optimal rate of return, investments will be subject to a level of risk (risk return relationship). HET will seek to adopt a prudent appetite towards risk by:

- investing in markets where financial services are closely regulated (FSA) and compensation schemes are in place (if applicable);
- adopting a suitably diversified portfolio and utilising a range of investment products to limit the impact of systematic and unsystematic risk;
- avoiding speculative forms of investment;
- utilising interest bearing cash deposits and loans to companies and/or the government (bonds/gilts),
- utilising common investment and/or collective investment scheme,
- structuring short, medium and long-term investments.

Professional investment advice will be sought regarding suitable investments for HET and investments will be placed either directly with regulated financial institutions or through suitably qualified investment managing agents.

Ethical Investment

Trustee are mindful of objectives of HET and in furtherance of the objective, Trustees believe that purpose will ordinarily be best served by seeking the maximum return consistent with commercial prudence. Therefore, trustees' will seek to use a combination of positive and negative investment criteria to influence the decision-making process when reviewing investment opportunities.

Positive Criteria:

- responsible employment practices,
- positive corporate governance practice,
- conscientiousness with regard to human rights;
- sustainable environmental practice; and
- sensitivity towards the communities within operational areas.

Negative Criteria:

- 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.

Monitoring and Reporting

HET will review the performance of the financial institutions, investment manager and individual investments biannually by comparing their performance against that of competitors, average performance indicators, and adherence to HET's investment policy.

The Chief Financial Officer will report to the Trustees' on a regular basis on how well the investments are performing as well as benchmarking against the financial marketplace.

HET's annual report and financial statements will describe how the policy has been used to select investments as well as reporting on their performance.

Policy Review

HET will review and publish this policy on an annual basis, ensuring that it remains accurate and fit for purpose.

Sign Off

| | |
|---------------------------|--|
| Approved By (print name): | |
| Role Title: | |
| Signature: | |
| Date: | |

**Where everybody counts,
every moment matters.**

