



**The King's (The Cathedral) School  
Investment Policy**

Responsibility:	Chief Financial Officer
Ratified By:	Governing Body
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## 1. INTRODUCTION

The purpose of the Investments Policy is to set out the processes by which The King's (The Cathedral) School Governing Body will meet their duties under the School's Articles of Association and the Academy School Handbook issued by the ESFA to invest monies surplus to operational requirements in furtherance of the School's charitable aims and to ensure that investment risk is properly and prudently managed. The School aims to manage its cash balances to provide for the day-to-day working capital requirements of its operations. In addition, the School aims to invest surplus cash funds to optimise returns but ensuring the investment instruments are such that there is minimal risk to the loss of these cash funds.

## 2. PURPOSE

The investment objectives are:

- To ensure adequate cash balances are maintained in the current account to cover day-to-day working capital requirements;
- Only invest funds surplus to operational need based on all financial commitments being met without the School's bank account becoming overdrawn;
- To ensure there is minimal risk of loss in the capital value of any cash funds invested;
- To protect the capital value of any invested funds against inflation;
- To optimise returns on invested funds without undue risk;
- The need to have regard to social, environmental or ethical considerations.

A certain degree of risk is associated with all investments and Governors must do all they can to manage risk levels. Before investment decisions are made, Governors must consider the level of risk they are able to accept. They must be satisfied that the overall level of risk they are taking is appropriate.

By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the School.

## 3. INVESTMENT STRATEGY

Investment risk will be managed through asset class selection and diversification with the aim of ensuring that security of deposits takes precedence over revenue maximisation. In determining the level of funds that could be considered for investment, due regard will be taken of the short, medium and long-term requirements of the School. These are determined as follows:

**Short Term** – funds likely to be expended within the next 12 months

**Medium Term** – funds likely to be expended between 1 to 5 years; and

**Long Term** – funds unlikely to be required in the next 5 years

To inform this planning, the school maintains an Asset Replacement Plan detailing significant medium to long-term commitments and calls on capital that are known or expected. There are also a number of restricted funds held for long term objectives (such as Prize Funds).

### Short Term Investments

All Short Term monies (beyond those held in the School's current accounts to meet immediate demand) shall be invested in bank cash deposit accounts offering immediate or short notice access, or on fixed deposit terms of not more than 12 months, or a combination thereof, to ensure availability of cash to meet the School's financial obligation as and when they fall due.

Easy Access:	Notice Accounts:	Fixed Term Deposits:
No notice needed to make withdrawals.	Typically from 30-days to 100+ days	Typically from 1-month to 12-months
Funds are usually returned overnight or within a few days	No access without giving the required notice	No access until the deposit matures
Interest Rates are variable	Interest Rates are variable	Interest Rates are fixed for the term

The School aims to manage the risk of default by spreading deposits across banking institutions which are authorized by the Bank of England through the Prudential Regulation Authority (PRA) (with reference to the Financial Conduct Authority (FCA)).

Preferably, deposits will be selected with a maximum exposure of **£250,000** as, whilst this sum exceeds the current protection limit of £85,000 provided by the Financial Services Compensation Scheme (FSCS) it is accepted that it is not always practicable to find a sufficient number of investments of this size that meet the prudent criteria outlined in this policy.

For selection, assets will only be considered with banking institutions which show good credit quality as assessed by the three main rating agencies (Fitch, Moody's, Standard and Poor's). 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 School will only be 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 F2/F1
Investment grade: Good	Baa1 Baa2 Baa3	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-		BB+ BB BB-	
Speculative grade: Highly speculative	B1 B2 B3		B+ B B-	B	B+ B B-	B
Speculative grade: Very high risk	Caa1 Caa2 Caa3		CCC+ CCC CCC-		CCC	
Speculative grade: Very near to default	Ca		CC C C	C	CC C C	C
In default	C		SD/D	D	RD/D	RD/D

The school's Christian ethos will also be considered when selecting banking institutions and products.

### **Medium- & Long-Term Investments**

Medium Term monies may be considered for investment in cash deposits or medium-term investments such as fixed income bonds, guaranteed investment bonds, Gilts or credible alternatives.

Long Term monies may be considered for investment in appropriate managed funds. The Governors wish to take advantage of the features of common investment funds and similar charity-specific pooled funds and have concluded that these funds offer the most cost-effective access to a well-diversified portfolio that reasonably matches the King's School's requirements.

Medium- and Long-Term investments should be considered in terms of:

- Risk
- Capital growth / protection
- Income; and
- Ethics

## **4. APPROVED INSTITUTIONS**

The School shall only invest in institutions that are authorised and monitored by the Financial Conduct authority. Any investments shall be consistent with the Christian Ethos of the School, and have regard to social, environmental and ethical activities within such investment products.

## **5. IMPLEMENTATION AND PROCEDURES**

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

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

The **CFO** is responsible for producing reliable cash flow forecasts as a basis for decision making.  
The **CFO** is responsible for making **short-term** investment decisions that comply with this Policy.  
The **Finance Committee** will be required to approve all **medium- and long-term** investments

Deposit facilities in use by the school must be restricted to 'dual control' for the opening of a deposit, placing funds and withdrawing funds.

## **6. NOVEL OR CONTENTIOUS INVESTMENTS**

Governors will seek approval from the Education and Skills Funding Agency (ESFA) for investment transactions that are **novel or contentious**.

- **Novel transactions** are those of which the school has no experience or are outside the range of normal business activity for the School.
- **Contentious transactions** are those which might give rise to criticism of the school by Parliament, the public and the media.

## 7. MONITORING & REPORTING

The **CFO** will report investments held and the performance of investments against objectives to the Finance 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.

## 8. REVIEW

Governors should review the Investment Policy to ensure it is still fit for purpose ***annually***.