



THE KENNET & AVON CANAL TRUST

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Investment and Borrowing Policy

In line with their duties under company and charity law, and in accordance with the guidance issued by the Charity Commission, the Trustees have adopted the following policy on investment and borrowing.

Introduction

1. This policy relates to the management by the The Kennet and Avon Canal Trust ('Trust') of its cash balances, and to potential borrowing. It does not therefore relate to charitable expenditure in support of the Trust's objects. The policy is in accordance with the Trust's Articles and with charity law.
2. Although the Trust is responsible for a number of Restricted Funds, and owns a trading company, the Kennet and Avon Canal Trust (Enterprise) Ltd ('Enterprise'), in which it may invest in accordance with its charitable objects, it manages its cash and investments on a pooled basis.
3. The Trust's Investment Policy recognises the Reserves Policy that the Trust has adopted, given the range of its activities.
4. The Trust's policy seeks to achieve a balance between returns and liquidity.

Policy

5. In normal circumstances, investments will only be made in notice or term accounts, or in loans to Enterprise. Investment in shares and other types of financial instrument which involve a capital risk will not be considered at present.
6. The Trust's intention is that Enterprise should hold cash balances which reflect its working capital requirements only. It has agreed a long-term loan to Enterprise of £25,000, in respect of which a loan agreement has been put in place.
7. The making of additional loans to Enterprise is a matter reserved to Trust Council. Except where a short-term emergency loan is required, such additional loans will only be agreed on the basis of a business case endorsed by the Enterprise Board which demonstrates the likely return, and where the Trust Council has satisfied itself that the loan is consistent with charity law and in particular the principles set out in Charity Commission guidance for charities with a connection to a non-charity. All new loans must include payment of appropriate rates of interest.
8. The Trust will seek to diversify risk in respect of its cash balances by holding no more than £150,000 with any one financial institute other than its main banker, Lloyds Bank, where the target limit will be £200,000 for the group as a whole. It is recognised that it may take time to reduce holdings with Lloyds Bank to this level.



9. Trustees will have regard to financial projections for the coming year, and to the Risk and Commitment Register, in making investment decisions. It will in particular take account of the following considerations:
 - the need to match the availability of funds to likely future charitable expenditure requirements; and
 - the need to have access to sufficient liquid funds to meet unexpected costs, while recognising that risks reflected in the Risk and Commitment Register are unlikely to materialise in all areas of activity at the same time.
8. Trustees accept that putting funds in term deposit accounts will generally generate higher interest income than instant access accounts. In determining the appropriate trade-off between returns and liquidity, Trustees consider that deposits with a term or notice of up to three months will not compromise liquidity provided that balances in current and instant access savings accounts are sufficient to cover expected net expenditure for more than that period.
9. Where commitments are only expected to arise in the medium term, funds may be put in accounts with a term or notice of up to 12 months. Deposits with a notice period of more than 12 months will not currently be allowed under this Policy.
10. The Treasurer has delegation to move funds between easy access savings accounts and the current account with Lloyds Bank to maintain sufficient funds in the current account to meet short-term commitments.
11. All other decisions about the disposition and investment of funds are to be taken by the Trust Council. However, if a term deposit has been approved by Trustees, the Treasurer has delegation to renew the term deposit on its maturity with the same financial institution provided the terms are the same or better than for the initial investment.
12. Any decision to borrow funds will be taken by the Trust Council. In normal circumstances, borrowing will only be considered if there is a reasonable prospect of sufficient additional income being generated by the project for which funds are to be borrowed to service the loan and repay it over a period not exceeding five years.
13. Establishment or renewal of an overdraft facility is a matter reserved to Trust Council.

Review

14. The Trustees will review this policy on an annual basis.

THIS DOCUMENT IS NOT CONTROLLED ONCE PRINTED

Responsible Trustee: Chris Bolt
Date approved by the Trust Council: 6 July 2020
Review Date: July 2021