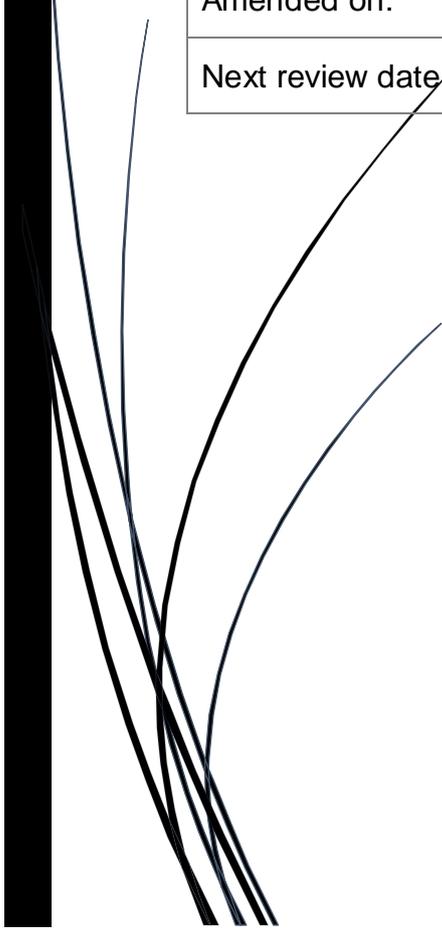


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Treasury Management Investment and Reserves Policy

Created By:	CFO Tracy Jackson
Approved By:	Finance, Audit and Risk Committee
Version:	1.2
Created on:	July 2018
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Next review date:	October 2020

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Introduction

Treasury Management is defined as: -

- the management of the Trust's cash flows, banking and investment transactions
- the management of the risks associated with these activities
- the pursuit of optimal returns consistent with those risks

The objectives of this policy are to ensure that the Trust: -

- maintains sufficient cash balances in its current account to meet its day to day commitments
- invests surplus cash to earn an acceptable rate of return without undue risk
- complies with the Academies Financial Handbook and ensures that security of funds takes precedence over revenue maximization
- considers spreading risk between differing institutions to reduce risk
- maintain sufficient reserves to mitigate against future risks, whilst not holding unnecessarily high levels of reserves

There are a number of constraints placed upon academies in terms of fund management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to the Trust in relation to financial planning and monitoring. One of the ways in which the Trust mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.

Responsibility

The Accounting Officer (CEO) and Board of Trustees have overall responsibility for the security and management of funds. The day to day management of the treasury function is controlled by the Chief Financial Officer (CFO), who will liaise with the Accounting Officer and Board of Trustees in relation to investment decisions.

Cash Flow Forecasts

The Chief Financial Officer will prepare and present monthly 12 months rolling cash flows to the Board of Trustees to identify expected cash balances throughout the year for investment opportunities and to provide early warning of low cash balances.

Borrowing

The Trust is not permitted to borrow without prior permission of the Secretary of State.

Deposits

The Trust will operate an interest-bearing current account with a bank approved by the Board of Trustees and maintain sufficient balances to ensure there are adequate liquid

funds to cover all immediate and forthcoming financial commitments, including maintaining a sufficient contingency for unexpected payments.

Monies surplus to the working requirements shall be invested in low risk deposit accounts or term deposits in regulated institutions.

The Academy will not take out any long-term deposits until reliable cash flow pattern has been established, monies will only be paid into term deposits not exceeding six months.

The Academy will only deposit funds with bodies protected by the Financial Services Compensation Scheme.

Limits and Authority

The Board of Trustees has the power to:

- Give prior approval to the opening of new bank current accounts
- Give prior approval to any bank deposit with a maturity date exceeding six months
- Appoint a financial expert to advise on investments
- Reallocate reserves between academies

The Board of Trustees delegates authority to the Chief Financial Officer to place deposits in the trust's name, at approved institutions, subject to the agreed limits within this policy. No deposits will be placed without prior agreement with the Accounting Officer or other signatory subject to the relevant limits.

Authorised bank signatories of the Trust are set out in the Trust's Financial Management Policy.

Register of Deposits

The Chief Financial Officer will maintain a register of all deposits/investments held which will record:

- Institution with which deposit placed
- Date deposit placed
- Amount deposited
- Date of maturity
- Amount returned
- Rate of interest
- Interest earned

Only banks rated as A+ or above will be used for investment purposes.

Restrictions on Cash Reserves

The EFA are able to set limits on the sum of GAG that can be carried forward from one year to the next. There are currently no limits in place.

The DfE does expect Academy Trusts to use their allocated funding for the full benefit of their current pupils. Therefore, the Academy Trust will not build up a substantial surplus without having in place a clear plan for how it will be used to benefit our pupils.

Level of Cash Reserves

The financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risk to the Academy Trust is as follows:-

- Managing its short-term cash flow effectively as a recently formed Trust with no cash management history;
- Mitigating against future real terms funding cuts;
- Mitigating against additional salary and pension costs, particularly due to the DfE only guaranteeing to fund the Teachers Pay Award and pension increase until August 2020

Reserves as at 31 August are over £800K

To cover the above, an amount equivalent to 1 month's salary cost (approximately £320K) will remain as free reserves for the first two years of the Trust.

An additional provision is required for capital works to ensure that the buildings/equipment are fit for purpose over the medium term. These will need be funded from revenue, as the Devolved Formula Capital is only £12K per annum across the Trust. The Trust capital plan covers estate and ICT and will cover both maintenance and improvement works.

Current provisions to be included in the 3 year capital plan are:-

- ICT capital refresh to update old stock - £75,000
- Estate maintenance (H & S work including first safety and provision for roofing works at Reach and Ethos) £200,000
- Estate improvement works £200,000

Monitoring, evaluation and review

The Chief Financial Officer will present the Register of Deposits to the Board of Trustees to each meeting.

Periodically (at least annually) the Chief Financial Officer will review interest rates and compare these with investment opportunities through other institutions.