

## TREASURY MANAGEMENT POLICY



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This policy will be published on the Trust's website

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## **Purpose of Policy**

The purpose of this policy is to set out the arrangements whereby the Trust may invest some of its spare resources.

### **1 Principles**

1.1 The Trust aims to manage its cash balances to provide for the day-to-day working capital requirements of each of its academies' operations, whilst protecting the real long-term value of any surplus cash balances against inflation. In addition the Trust aims to invest surplus cash funds to optimise returns, but ensuring the investments are such that there is no risk to the loss of these funds. Furthermore any investment is prohibited with any organisation where there is, or perceived to be, conflict with the values of the Trust or Diocese.

### **2 Purpose**

- 2.1 To ensure adequate cash balances are maintained in each of the academy's current account to cover day-to-day working capital requirements.
- 2.2 To ensure there is no risk of loss in the capital value of any cash funds invested.
- 2.3 To protect the capital value of any invested funds against inflation.
- 2.4 To safely optimise returns on invested funds.
- 2.5 To ensure any strategic investment is in accordance with ESFA and Charity Commission guidelines and specifically targets the strategic aims of the organisation. Strategic Investment may only be agreed by the Executive Committee

### **3 Guidelines**

- 3.1 Regular cash flow forecasts **must** be prepared and monitored by each academy to ensure there are adequate cash funds available to meet all payroll related commitments and outstanding creditors that are due for payment.
- 3.2 The Trust will adopt a cash RAG rating system whereby:-
  - a) Where the current balance plus the expected cash receipts for the month is 2x the expected payroll and creditor payment for the coming month shall be rated as GREEN (adequate funds)
  - b) Where this formula results in  $>1$  and  $<2 \times$  the expected withdrawals it shall be rated as AMBER (at risk of inadequate funds)
  - c) If it is  $<1$ , the cash position is rated as RED (inadequate funds)
  - d) If it is  $>2$ , it is rated as BLUE (excess funds)
- 3.3 Where the cash position is rated as Green, there will be regular monitoring by the School Business Manager (SBM) and Headteacher to ensure it remains so.
- 3.4 Where it is rated as AMBER there will be enhanced monitoring and the SFO notified of the weekly cash position until it returns to GREEN.
- 3.5 Where it is rated as RED, the cash position is monitored daily by the SBM and Headteacher and SFO notified daily until it returns to AMBER.

3.6 Where it is rated as BLUE, this could indicate there are excessive funds unless there is expected additional expenditure in the near future. These funds should be placed on deposit to earn extra income for the academy.

3.7 Funds may only be invested in interest bearing accounts with the following:

- Lloyds Bank
- COIF
- Treasury deposits, with maturity dates which do not result in the cash funds being unavailable for longer than 8 weeks.

3.7 On maturity of the investment, the Academy will review the interest rates being achieved and will compare with the other investment opportunities that comply with the parameters of this policy.

#### **4 Investment Procedure**

4.1 The investment **must** be approved Headteacher and SFO and actioned by the SBM.

4.2 Strategic Investment **must** also be approved by the Executive Committee and, depending on its nature, the ESFA and Diocese.

4.3 Documentation **must** be signed in accordance with the Bank signatory instructions (any two of the signatories specified on the bank mandate)

4.4 Copies of all investments should be sent to the SFO.

#### **5 Inter-Company Trading**

5.1 Academies are **not** permitted to go overdrawn.

5.2 Academies **may not** loan money to each other but they can deposit surplus cash with the Trust. The Trust may make loans to other academies to smooth out the cash flow and avoid academies going into overdraft.

5.3 Inter-company trading disputes shall be resolved by arbitration chaired by the SFO but the final decision shall rest with the CEO. If a Headteacher wishes to appeal against the CEO decision this **must** be made in writing to the Finance & Resources Committee whose decision on the matter will be final.

#### **6 Consolidated Treasury Management**

6.1 The Trust shall develop consolidated treasury management policy. The link to the on-line tool provided by Lloyds Bank (Cash Optimiser Tool) is:  
<http://162.13.162.113/lbgco/#/sme/>