



CORPUSCHRISTI
We are His body, living and learning as one.

TREASURY MANAGEMENT POLICY



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This policy will be published on the Academy Trust's website

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Purpose of Policy

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

1 Principles

- 1.1 The Academy 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 Academy 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 Academy Trust or Diocese of Shrewsbury.

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 the DfE 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 Monthly Management Accounts provided to Academies and Directors shall always include a cash flow monitoring statement showing actual cash position at the end of each month compared to the forecast cash flow for the year.
- 3.3 The Academy 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 x 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 CFOO will monitor 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 CFOO 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.
- 3.8 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 by the CFOO and actioned by the Finance Manager in the Academy Trust Central Team.
- 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)

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 Academy Trust. The Academy 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 CFOO 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 Investment Policy supported by Insignia

- 6.1 This Investment policy is designed to only apply to short term cash-based deposits and does not apply to any strategy that may be in place or put in place for investing in 'capital at risk' investments. The policy is supported by a 3rd party investment platform the Academy Trust has entered into a contract with in 2005 (Insignia).

6 Purpose and scope

- 7.1 To set out the processes by which the Academy Trust can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed. In doing so, Directors must:
- (a) Act within their power to invest
 - (b) Set investment objectives
 - (c) Set the parameters that deposit counterparties need to meet
 - (d) Consider the level of liquid cash required to be held either overnight or within current accounts
 - (e) Approve the type of products that the Academy Trust can invest in and seek external guidance if required
 - (f) Define processes to manage and make investment decisions
 - (g) Monitor and review investments on a regular basis.

8 Responsibility

- 8.1 The Academy Trust Directors delegate the day-to-day responsibility of managing and implementing the investment policy to the CFOO to ensure investments are managed in accordance with this policy and monitor regularly how the Academy Trust's investments are performing.

9 Objectives

- 9.1 To identify a level of funds that can be placed on deposit to generate additional interest income for the Academy Trust in order to support its strategic objectives. Any investment decisions must be supported by a cashflow forecast that reduces the risk of the Academy Trust not having the liquidity required to carry out its day-to-day activities.

10 Counterparty risk

- 10.1 Following the Banking Crisis in 2007-08, The Bank of England have (through the FSA and latterly, the FCA and PRA) implemented changes to banking regulation and capital requirements of UK FCA registered banks to ensure the stability of the UK Banking system. As such, the Academy Trust can only make cash deposits with institutions with a UK banking licence regulated by the FCA.

11 Counterparty Restrictions

- 11.1 For Institutions with an Investment Grade "good" or better credit rating or implied credit rating the Academy Trust can deposit a maximum of £2,000,000 (plus interest accrued) in any one institution.

11.2 These ratings include:

- (a) Baa3 / P-3 or better (Moody's) or
- (b) BBB- / A-3 or better (S&P) or
- (c) BBB- / F3 or better (Fitch) or
- (d) An implied rating of BBB- or better

11.3 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 Academy Trust will only by depositing 'short term' in deposits with a maturity date or notice period of 12-months or less.

11.3 The Academy Trust will further reduce its counterparty risk by having funds with at least two institutions.

12 Investment Products

12.1 The Academy Trust can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

- (a) Overnight (instant access / easy access)
- (b) Notice accounts (typically from 30-days to 100+ days)
- (c) Fixed term deposits (typically from 1-month to 12-months)

12.2 Investment maturity dates should not exceed 12-months in term unless funds are held for a specific future product with no risk of requiring access in the meantime.

12.3 It is recognised that funds cannot be accessed before the relevant period of notice is given or, for fixed term deposits, at maturity. The profile and restrictions of the most common deposit accounts are:

(a) **Easy Access:**

No notice needed to make withdrawals.

Funds are usually returned overnight or within a few days

Interest Rates are variable

(b) **Notice Accounts:**

No access without giving the required notice

Interest Rates are variable

(c) **Fixed Term Deposits:**

No access until the deposit matures

Interest Rates are fixed for the term

13 Investment Decisions

- 13.1 The CFOO is responsible for producing reliable cash flow forecasts as a basis for decision making.
- 13.2 The CFOO is responsible for making investment decisions that comply with this Policy.
- 13.3 Deposit facilities in use by the Academy Trust must be restricted to 'dual control' for the opening of a deposit, placing funds and withdrawing funds.

14 Monitoring & Reporting

- 14.1 The CFOO will report investments held and the performance of investments against objectives to the Risk & Audit Committee for review each time it meets or when requested to do so. The reporting should include:
 - (a) Funds invested
 - (b) Maturity dates
 - (c) Interest rates
 - (d) Latest cash flows showing 12-month liquidity requirements
 - (e) Recommendations for the next **3 months**.