



INVESTMENT POLICY

Approved by Trustees: 27th March 2017

For Review: March 2020

1. INTRODUCTION

Treasury management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services as the management of an academy trust's cash flows, banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The objectives of treasury management are:

- a) To provide a means by which The
- b) The Trust can meet its commitments;
- c) To ensure that sufficient sums are available at short notice or no notice to meet foreseeable requirements;
- d) To earn an acceptable rate of return on surplus funds without undue risk;
- e) To spread risk between differing types of investment and institutions.

2. RESPONSIBILITY

The CEO and the Trust Board have responsibility for the overall security and management of funds. The day-to-day management of the treasury function is controlled by Director of Finance supported by the COO.

The Finance Director will liaise with the CEO and the Board of Trustees in relation to strategy and market conditions.

3. BORROWING OF FUNDS

The Trust is not permitted to borrow without prior permission of the Secretary of State. The Trust does not currently envisage the need to borrow or operate an overdraft. Should this situation change the overdraft/borrowing will only be undertaken after approval of both the Trust Board and Secretary of State.

4. INVESTMENT OF FUNDS

A return on working capital should be optimised whilst allowing easy access of the funds. **In balancing risk against return the Trust policy is clearly geared towards avoiding risk than to maximising return.**

The Trust will operate an interest-bearing current account with a bank approved by the Board and maintain a balance in that account that is sufficient to cover immediate and forthcoming financial commitments (payroll and payment runs) and sufficient contingency (cash buffer) for unexpected payments. Sufficient contingency (cash buffer) is deemed to be **£20K** for the first year of operation and will increase as the Academy grows.

Monies surplus to the working requirements shall be invested in an account in the name of the Trust with the approved institutions authorised by the Board. This may be a higher interest bearing account operated by the same bank that the Trust operates its current account with, or an alternative approved institution.

The Trust will not take out any long term investments until a reliable cash flow pattern has been established. Monies will only be paid into approved bank deposit accounts allowing access to funds within a term not exceeding three months.

5. CREDIT RISK

Credit risk will be minimised by ensuring that funds are spread across a range of institutions as appropriate. The limits of funds invested with approved institutions will be approved at least annually by the Governing Body and more frequently subject to market conditions. The current approved limit per institution is set out in Appendix A.

6. CASH FLOW FORECASTS

The CEO with support from the Finance Director will prepare and present to the Board of Trustees an annual monthly cash flow statement in advance of each academic year in order to highlight expected cash balances throughout the year that may be invested and give early warning of any need to seek approval to borrow. They will then subsequently maintain a rolling 12 month forecast.

At the same time as presenting the forecasts, the CEO will present a strategy for investing surplus cash for the period covered by the forecast.

7. APPROVED INSTITUTIONS FOR INVESTMENT

Security of investment is paramount. Appendix A attached provides a list of approved banks which are recognised as high quality investment counterparties at the date of approval of this policy. The CEO will take external treasury management professional advice as needed to ensure timely amendments are brought to the Trust Board should the assessed strength of these institutions be downgraded or should it be felt appropriate to incorporate new institutions.

8. LIMITS & AUTHORITY

The Trust Board reserves the power to:

- Give prior approval to the opening of new bank current accounts;
- Amend the list of approved institutions;
- Give prior approval to any bank deposit with a maturity date greater than three months;
- Give prior approval to any investment product other than a bank deposit.
- Delegate authority to the CEO to place deposits in the name of The Trust, at approved institutions, subject to the agreed limit in Appendix A. These deposits should be authorised by a relevant second authoriser as set out in the Academy scheme of Financial Delegations. Deposits will be confirmed in writing after the event by the bank.
- Authorised cheque/bank transfer signatories of the Trust are set out in the Scheme of Financial Delegations. Any changes in the authorised signatories must be approved by the Board.

9. REGISTER OF DEPOSITS / INVESTMENTS

The CEO with support from the CFOD will maintain a register of all deposits/investments held which will record:

Institution with which the deposit was made;

- Date deposit was placed;
- Amount deposited;
- Date of maturity;
- Amount returned;
- Interest earned;
- Rate of interest obtained;
- Authorisation for the transaction.

10. RECORDING & MONITORING

Bank balances and all deposits/investments will be reconciled and balanced to the Trust accounting records every month.

Cost of funds and requirements for funds will be monitored on an ongoing basis via the management accounts, in particular the 12 month rolling cash flow forecast.

11. MONITORING, EVALUATION AND REVIEW

The Trust will review this policy annually and assess its implementation and effectiveness. The policy will be promoted and implemented throughout the Academy.

The CEO will report on the effectiveness of the policy to the Trust Board.

APPENDIX A

LIST OF APPROVED INSTITUTIONS FOR INVESTMENT

The following banks are authorised for the short term investment of Academy funds:

Citi

Co-operative Bank PLC

Lloyds TSB Bank

HSBC Bank PLC

Leeds Building Society

Barclays Bank

Santander UK Plc

Royal Bank of Scotland

Skipton Building Society

Yorkshire Building Society

National Westminster Bank

The limit of investments to be held with each of the above is £500,000