

# ALT Treasury Management and Reserves Policy

Document Control Table	
<b>Author:</b>	COO, Arété Learning Trust
<b>Date of review:</b>	September 2022
<b>Approved by:</b>	Audit & Risk Committee - 29th September 2022
<b>Review Cycle:</b>	Annual review

## Contents

<a href="#">Reserves</a>	<a href="#">2</a>
<a href="#">Levels of Reserves</a>	<a href="#">2</a>
<a href="#">Restrictions</a>	<a href="#">2</a>
<a href="#">Treasury Management</a>	<a href="#">2</a>
<a href="#">Responsibility</a>	<a href="#">3</a>
<a href="#">Cash Flow Forecasts</a>	<a href="#">3</a>
<a href="#">Borrowing</a>	<a href="#">3</a>
<a href="#">Investments &amp; Working Capital Support</a>	<a href="#">3</a>
<a href="#">Working Capital and Deposit Support</a>	<a href="#">4</a>
<a href="#">Limits and Authority</a>	<a href="#">4</a>
<a href="#">Register of Deposits</a>	<a href="#">5</a>
<a href="#">Monitoring, evaluation and review</a>	<a href="#">5</a>
<a href="#">Review of Policy</a>	<a href="#">5</a>

## **1. Reserves**

- 1.1. The original Reserves Policy was established in April 2015 at the inception of the trust. This Policy document is a refreshed Policy for the enlarged multi-academy trust we have today.
- 1.2. There are a number of constraints placed upon academies in terms of financial management. One of these constraints is the inability to borrow funds. This constraint represents a potential key risk to the ALT in relation to financial planning and monitoring.
- 1.3. One of the ways in which the ALT 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.
- 1.4. Setting a reserves policy helps inform the way in which the ALT manages its cash, liquid assets and debt.

## **2. Levels of Reserves**

- 2.1. The financial risks of the trust have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The financial risks to the ALT, an expanding Multi-academy trust, differ substantially from those of a stand-alone academy trust of several years ago. These incorporate the need to balance the short term requirements of a number of schools with the longer term ambitions of the whole trust. To recognise and mitigate these risks it has been agreed that an appropriate minimum reserves balance would equate to one month's worth of expenditure in terms of gross salary costs.

## **3. Restrictions**

- 3.1. The ESFA 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 (Academy Trust Handbook (Section 5.29).
- 3.2. The DfE does expect ALT to use its allocated funding for the full benefit of their current pupils. Therefore, the ALT will not build up a substantial surplus without having in place a clear plan as to how it will be used to benefit its pupils and the ALT's strategic development for the long term, as required. Those plans and governance will operate under a policy for Treasury Management (See section 4), mirrored under the Level of Reserves section above.

## **4. Treasury Management**

- 4.1. Treasury Management is defined as:
  - the management of ALT's cash flows, banking and investment transactions
  - appropriate financial controls
  - the management of the risks associated with these activities
  - the pursuit of optimal returns consistent with those risks
- 4.2. The objectives of this policy are to ensure that the ALT:

- maintains a sufficient cash balance in its current account to meet its day to day commitments
- operates within any agreed bank facilities
- manage surplus cash appropriately to support both working capital needs and long- term investment strategies
- invests surplus cash to earn an acceptable rate of return without undue risk
- consider spreading risk between differing types of investment and institutions to reduce credit risk, taking independent sanctioned advice as appropriate

## **5. Responsibility**

- 5.1. The CEO/ Accounting Officer and Board have overall responsibility for the security and management of funds with appropriate day-to-day support of the Chief Financial Officer (CFO) and Financial Controller (FC). The day-to-day management of the treasury function is controlled by the CFO. The CFO will liaise with the CEO/ Accounting Officer and Board in relation to investment decisions taking the Board Finance Director's input as appropriate.

## **6. Cash Flow Forecasts**

- 6.1. The FC will prepare and present detailed regular 12 month rolling cash flows as part of the monthly accounts package to the Board to identify for example expected cash balances throughout the year for investment opportunities and to provide early warning of low cash balances and consider and approve appropriate actions.
- 6.2. Where surplus funds exist, the Board will consider the best use of those funds including working capital support to the day to day activities, as well as long term planning and investment decisions, not just in terms of cash investment and return, but ALT infrastructure investment and plans, and associated cash needs.

## **7. Borrowing**

- 7.1. The ALT is not permitted to borrow without prior permission of the Secretary of State.
- 7.2. The Board under this policy will consider whether it wishes to operate a bank facility within defined parameters, for example, where there are cash flow pinch point or minimum balance requirement within a month, the ability to consider a bank facility that merely supports that with the remit of funding any minimum point from a working capital back up fund outside of the Deposit funds notes in the Reserves Policy.

## **8. Investments & Working Capital Support**

- 8.1. Subject to prevailing external banking offers, the ALT will operate an interest-bearing current account with a bank approved by the Board (currently banking is with Lloyds Bank) and will 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.
- 8.2. Monies surplus to the working requirements shall be invested in term deposits with the current

banker or with another UK institution regulated by the Financial Conduct Authority or the Prudential Regulation Authority.

- 8.3. ALT will not take out any long-term deposits unless there is a considered long term view of plans and cash flow that allow such a decision to be made. Initially, monies will only be paid into short-term deposits for periods not exceeding twelve months. The Board may consider extending this period once cash flows and associated patterns have been established, reviewed, and impacts fully understood. This would require Board approval.
- 8.4. Investment funds will be 12 months with at least annual review by the CEO / CFO.

## **9. Working Capital and Deposit Support**

- 9.1. The following balances and deposits will be operated and reviewed every six months to ensure they are appropriate;
- An amount equivalent to the agreed minimum reserve figure of 1.2m will be retained in the day-to-day current account or held in a series of short-term deposits, none of which can exceed twelve months in term.
  - Funds excess to the reserve figure may augment the sums on deposit on agreement between the CEO and CFO with a notification made to the Board as part of the monthly accounts cycle.
- 9.2. ALT may maintain a long-term investment fund (Deposit 1) for appropriate strategic educational investment, infrastructure, capital investment and building investment needs. This fund will also be available to support the current account as required. These funds may be deposited with an independent, regulated third party but only after Board agreement. Any use of this Deposit 1 account must have a formal submitted spend or investment spend plan request made to the Board, signed off by the CEO/ Accounting Officer, CFO and any other input deemed necessary (e.g. RPE committee).
- 9.3. Interest etc. and appropriate bank facilities must be implemented as required to support this structure, as reported under the Register of Deposits below.

## **10. Limits and Authority**

- 10.1. The Board reserves the powers to:
- Give prior approval to the opening of new bank current accounts
  - Amend the approved institutions with whom the ALT will invest
  - Give prior approval to any bank deposit with a maturity date exceeding three months
- 10.2. The Board delegates authority to the CEO/ Accounting Officer and CFO and/ or FC to place deposits in the trust's name, at approved institutions, subject to the agreed limits within this policy. The Board Finance Director is available for consultation in this decision-making process where considered appropriate. No deposits will be placed without prior agreement with the CEO/ Accounting Officer or CFO subject to the relevant limits.

10.3. Authorised bank signatories of the Academy are set out in the Academy's Financial Regulations Manual.

## **11. Register of Deposits**

11.1. The FC 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
- Interest earned
- Rate of Interest

## **12. Monitoring, evaluation and review**

12.1. The FC will present the Register of Deposits to the Board as part of the monthly reporting cycle.

12.2. Periodically (at least annually) the COO/ CFO will review interest rates and compare these with investment opportunities through other institutions.

## **13. Review of Policy**

13.1. The Treasury Management and Reserves Policy will be reviewed by the Audit and Risk Committee on an annual basis or when an organisation joins or leaves the ALT.

----- **End of Policy** -----

Policy Author: COO, Arété Learning Trust

Monitored by: Mr C Davidge

Next Review: September 2023