Our Community Academy Ludlow Academy Points System Concept

Rewards and incentives

Ludlow Junior School

Approved FRAR 07.05.2025

For review Summer 1 FRAR 2025.26

Treasury, Investment Management and Reserves Policy

This policy is a draft proposal based on audit and scrutiny findings

1. **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

2. **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 (or subsequent ESFA/DfE guidance) and ensures that security of funds takes precedence over revenue maximization

• considers spreading risk between differing institutions to reduce risk/increase financial insurances

• maintain sufficient reserves to mitigate against future risks, whilst not holding unnecessarily high levels of reserves

3. 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.

4. Responsibility

The Accounting Officer (EHT) 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.

5. Cash Flow Forecasts

The Chief Financial Officer, with support from the externally independent accountant, 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. The Management Accounts provide clear supporting evidence and are updated monthly

6. Borrowing

The Trust is not permitted to borrow without prior permission of the Secretary of State. Similarly, any decision to enter into a lease arrangement may only be completed upon approval of the auditor (HWB) and the FGB

7. 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 and the current preference is for accounts with circa 30 days notice

The Academy will only deposit funds with bodies protected by the Financial Services Compensation Scheme and trustees may consider splitting deposits across institutions in order to protect their funds. The academy may only open new accounts with the express direction of the board of trustees

8. 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

9. **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.

10. Register of Deposits

The Chief Financial Officer, supported by the independent account and via the management accounts, 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 in each period

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

11. Restrictions on Cash Reserves

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.

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. Examples might be longer term capital plans such as IT infrastructure, buildings, windows or further capital development projects linked to areas such as Health and Safety or Security/safeguarding.

12. 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 are defined by trustees as follows:-

• Managing its short-term cash flow effectively as an established Trust with no cash management failings in its 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 some specific elements of pay awards or pension contributions year on year

13. **Reserves**

The level of cash reserves and limits are as per section 3.3 in the Capital and Reserves Policy

14. Monitoring, evaluation and review

The Chief Financial Officer will present the Register of Deposits to the Board of Trustees to each meeting via the MA's and these may be consolidated in a single account or spread to manage risk as directed by the trustees

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

The CFO will provide interest rate benchmarking information for trustees from recognised financial sources but it is the responsibility of trustees to identify deposit accounts, related risks and direct the academy to make/change/retain particular investments/deposits