



**Cabot**  
Learning  
Federation

Treasury  
Management  
Policy

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Date Adopted: 21 March 2016  
Implementation Date: 21 March 2016

History of most recent Policy changes

Date	Page	Change	Origin of Change e.g. TU request, Change in legislation
Feb 2016	Whole document	Formal writing of Treasury Management Policy	Policy not previously formally documented
October 2019	Whole document		Review
Feb 2022	Whole document	Policy update to reflect current regulations and CLF process	Timely review
March 2023	Whole document	<b>Policy reviewed and updated to include using an investment platform and update the credit rating table</b>	<b>Review</b>

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## 1 Introduction

Treasury management is a central function of the CLF and is managed by the Finance Operations team led by the Deputy Finance Director. This includes the management of all cash resources and funding requirements of the CLF and its subsidiary companies and the control of associated risks.

The treasury management policy considers the following requirements and principles:

- management of the Federation's cash flows, banking and investment transactions
- statement of risk appetite and the management of the risks associated with these activities
- the pursuit of optimal returns consistent with those risks
- trust wide investment and management of capital projects
- working capital requirements

This policy is reviewed by the Finance Executive Committee and approved by the CLF Trustees. The policy will be reviewed on an annual basis.

## 2 Objectives

The objectives of this policy are to ensure that the Federation:

- maintains sufficient cash balances in its current account to meet its day-to-day commitments
- invests surplus cash to earn an optimum rate of return within agreed risk parameters
- considers spreading risk between differing types of investment and institutions to reduce credit risk
- ensure that the Federation operates in line with accepted best practice in public sector treasury management, complies with its statutory powers and regulators requirements

The Federation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

This policy relates to the Federation's cash balances identified as being available for investment. The principles contained within the policy do not relate to cash balances needed for day to day operations held with the Federation's bankers.

## 3 Responsibilities

The Academy Trust Handbook does not specifically mention any requirements regarding Treasury Management. The only stipulations are:

- The financial control framework must apply discipline in financial management including cash flow
- The format of monthly management accounts must include an income and expenditure account, variation to budget report, cash flows and balance sheet.

The Federation's Board has overall responsibility for the security and management of funds as set out in the *Academies Trust Handbook* and the Federation's Financial Regulations.

Executive decisions concerning borrowing, investment or financing (within policy parameters agreed by the Board and Regulators) are delegated to the Chief Operating Officer and the management of the treasury function performed by the Deputy Finance Director.

The Chief Operating Officer must report to the Board annually on the activities of the treasury management operation and on the exercising of delegated treasury management powers. This is included in the management accounts pack issued to the Board for all full Board meetings.

The Federation is committed to the effective management of its funds, accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

#### 4 Cash Flow Forecasts

The Deputy Finance Director will provide a minimum rolling 12-month cash flow forecast to the Board as part of the package of monthly financial reporting, identifying cash balances throughout the year available for investment opportunities and to provide early warning of low cash balances. The forecast will be available to be scrutinised in detail at the Finance Executive Group.

#### 5 Deposits and Investments

The Federation will operate an interest-bearing current account 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.

Where applicable surplus monies to the working requirements will be invested in term deposits with a range of financial institutions in line with the following principles:

- a cap of £2m on total investment with any one Banking group to spread the risk;
- the financial institution must hold a minimum credit rating;
- new accounts must be approved by the Board.

The Federation will not invest in equities or cryptocurrencies.

In line with the *Academies Trust Handbook* the Board of Trustees may look at other investments to further the Federation's charitable aims ensuring the investment risk is properly managed. When considering an investment, the Board must;

- act within its powers to invest as described in its Articles of Association
- exercise care and skill in investment decisions, taking advice as appropriate from a professional adviser
- ensure investment decisions are in the Trust's best interests
- review the Trust's investments and this policy regularly

In making an investment selection The Board must follow the Charity Commission's guidance referenced in CC14 Charities and investment matters: A guide for trustees. For novel, contentious and/or repercussive investments the ESFA's prior approval must be obtained.

The federation may utilise an established investment platform solution as a mechanism to manage all or part of the investment portfolio to access preferential rates and increase the investment return. All investments through the platform will be subject to the same requirements and principles as investments direct with financial institutions.

## **6 Limits and authority**

The Board delegates authority to the Chief Operating Officer acting as the Chief Finance Officer to place deposits in the Trust's name, at approved institutions (approved by the Trust Board as and when necessary), subject to the agreed limits within this policy. No deposits will be placed without prior agreement with the CEO or other signatory subject to the relevant limits, as set out in the Federations Finance Regulations.

## **7 Register of Deposits and Investments**

The Deputy Finance Director will maintain a register of all deposits/investments held which will record

- Institution with which deposit placed and latest credit rating
- Date deposit placed
- Amount deposited/shareholding purchased
- Date of maturity
- Amount returned
- Interest or dividend earned
- Rate of Interest

## **8 Decision-making, monitoring, evaluation and review**

The Federation will maintain full records of its treasury management decisions, demonstrating reasonable steps are taken to ensure all relevant risks to investment decisions are considered.

The Chief Operating Officer will present the Register of Deposits to the Board on an annual basis.

Periodically (at least annually) the Deputy Finance Director will review interest rates and with the support of appropriate professional advice where appropriate, compare with alternative relevant investment opportunities in the market place and produce a report for consideration by the Board, following review and recommendation by the Finance Executive Group.

## 9 Counter Party Risk Management

The Federation will only invest with institutions regulated by the Financial Services Authority and protected by the Financial Services Compensation Scheme and where the institution has the following minimum credit rating criteria provided by any one of the following ratings agency:

Rating	Fitch	Moody's	S&P
Long term	BBB+	Baa1	BBB+

The financial institution will need to hold the single rating in its own right rather than a decision be based on whether it is a subsidiary of a parent institution which has an acceptable credit rating. Please see Appendix 2 for a full list of long-term credit ratings from Fitch, Moody's and S&P.

The Deputy Finance Director is responsible for monitoring the credit standing of all approved investment institutions and for identifying and using appropriate external information services. In the event of an approved investment institution being downgraded below the Federation's minimum credit criteria, invested funds will be removed upon maturity, the appropriate withdrawal notices to be given for "notice" accounts and instant access funds to be withdrawn as soon as is practicable.

## 10 Borrowing

The Federation is not permitted to borrow funds without the Board's or the ESFA's prior approval (including finance leases and overdraft facilities) from any source where the borrowing is to be repaid from grant monies or secured on assets funded by grant monies regardless of the interest rate chargeable.

Credit cards must only be used for business (not personal) expenditure, and balances cleared before interest accrues.

The Secretary of State's general position is to only grant permission for borrowing in exceptional circumstances such as schemes introduced to meet the broader policy objectives examples being Department's Condition Improvement Fund for capital projects, and the Salix scheme supporting energy saving.

## 11 Budgeting, Accounting and Audit Arrangements

The Federation will account for its treasury management activities in accordance with accounting practices and standards.

The Federation will ensure that its auditors, and those charged with regulatory reviews, have access to all information and papers supporting the activities of the treasury management function.

The Federation will consider investments in the budgeting process, including returns and movements on investments to support the Federation's day to day activities and longer-term capital projects.

## 12 Use of External Service Providers

The Federation recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources and to be alerted to changes in legislation. When service providers are appointed the reasons will be fully evaluated and a full costs and benefits review completed. All terms of appointment and the methods of evaluations will be assessed, agreed, documented, and subjected to review. Where services are subject to formal tender arrangements the process within the Finance Regulations will be followed.



Appendix 1 – Investment Risk Profiles

<b>No Market Risk</b>	Restrict investments to cash deposits and ignore investments with market risk completely. Accept that although capital is secure, there is a greater possibility that spending power will be reduced by price inflation
<b>Low</b>	Participation in the financial markets but with a strong preference for these investments to be carefully controlled with fairly certain outcomes, so the long-term level of return is unlikely to be much higher than that offered by a bank savings account. Wealth may not maintain its spending power due to inflation
<b>Medium-Low</b>	Comfortable making investments which may have limited potential for losses in exchange for higher returns. Prepared to put money into riskier investments to achieve better returns than a bank savings account, at a steadier and less volatile rate of growth and with limited potential for losses
<b>Moderate</b>	Comfortable with investments that may lead to fluctuations in the value of the portfolio in exchange for the opportunity to achieve above average increases in wealth in the medium to long run
<b>Medium-High</b>	Prepared to accept regular fluctuations in portfolio value and both the potential for long-term gain and loss are greater
<b>High</b>	Comfortable with significant fluctuations in the value of investments in exchange for superior returns in the long run, accepting exposure to high risk/high returns assets. A possibility of getting back less money than put in but also a possibility that wealth will increase substantially

Appendix 2 – Long-term Credit Ratings from the main rating agencies

<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Rating description</b>
<b>Long-term</b>	<b>Long-term</b>	<b>Long-term</b>	
AAA	Aaa	AAA	Prime
AA+	Aa1	AA+	High grade
AA	Aa2	AA	
AA-	Aa3	AA-	
A+	A1	A+	Upper medium grade
A	A2	A	
A-	A3	A-	
BBB+	Baa1	BBB+	Lower medium grade
BBB	Baa2	BBB	
BBB-	Baa3	BBB-	
BB+	Ba1	BB+	Non-investment grade speculative
BB	Ba2	BB	
BB-	Ba3	BB-	
B+	B1	B+	Highly speculative
B	B2	B	
B-	B3	B-	
CCC+	Caa1	CCC+	Extremely speculative
CCC	Caa2	CCC	
CCC-	Caa3	CCC-	
CC	Ca	CC	Default imminent
C		C	
D	D	D	In Default

Appendix 3 - Policy Equality Impact Screening

Date of screening: 22/02/2022						
Name of person completing screening: Sarah Lovell, COO						
	Does this policy have the potential to impact on people in any of the identified groups?		What is the expected impact of this policy on any of the identified groups			Notes
	Yes	No	Positive	Neutral	Negative	
<b>Age</b>		No		X		
<b>Disability</b>		No		X		
<b>Gender Reassignment</b>		No		X		
<b>Race or Ethnicity</b>		No		X		
<b>Religion or Belief</b>		No		X		
<b>Marriage</b>		No		X		
<b>Pregnancy/ Maternity</b>		No		X		
<b>Sex</b>		No		X		
<b>Sexual Orientation</b>		No		X		
<b>Carers / in-care</b>		No		X		
Should the policy have a Full Equalities Impact Assessment? No						