

Ormiston Academies Trust

Treasury and investment policy

Policy version control

Policy type	Mandatory
Author	Sarah Vout, Head of Finance
Approved by	Joanne Dawson, National Director of Finance and Strategy, June 2023
Approved by	F&C Committee, June 2023
Release date	July 2023
Review	Policies will be reviewed in line with OAT's internal policy schedule and/or updated when new legislation comes into force
Description of changes	<ul style="list-style-type: none">▪ New policy

Contents

1. Policy statement and principles	3
2. Treasury structure	3
3. Investment objectives.....	4
4. Permitted investments.....	4
5. Management of investment risk	4
6. Availability of funds.....	5
7. Investment decisions.....	5
8. Management of investments	5
9. Reporting requirements.....	5

1. Policy statement and principles

- 1.1. Ormiston Academies Trust (OAT) holds significant levels of cash. The Academies Trust Handbook and the trust's Articles of Association allow funds to be invested to further to trust's charitable aims provided investment risk is properly managed.
- 1.2. This policy applies to all employees of OAT whether at head office or in the academies.
- 1.3. The purpose of this OAT policy is:
 - To ensure that all investments made by the trust are in accordance with the trust's Articles of Association
 - To ensure that the controls around making and accounting for investments are accurate and comply with the financial regulations.
- 1.4. By complying with this policy, all investment decisions should be exercised with care and skill and consequently be in the best interests of the Academy, commanding broad public support.

2. Treasury structure

- 2.1. Cash which is required to meet the short-term needs of the trust is held in instant access accounts with the trust's bankers. Current accounts are held for the following purposes:
 - 2.1.1. Central current accounts
 - Head Office account – used to make purchase ledger payments
 - Academies Funding account – used to receive ESFA funding and to make payroll payments
 - Other accounts – other accounts may be used where required e.g. to hold ringfenced funds separately from other balances
 - 2.1.2. Academy current accounts

Each academy has a current account which is used to receive local income (e.g. trips, catering, LA funding) and to make payments to students and parents as required (e.g. bursaries and refunds).
- 2.2. The cash levels held locally by academies will be monitored by the central finance team and excess cash will be swept to centrally held accounts periodically during the year. The central finance team will also monitor cash balances within the central current accounts and make transfers as required.
- 2.3. The trust may also invest surplus funds in accordance with the terms of this policy.

3. Investment objectives

3.1. The trust's investment objectives are:

- 3.1.1. To ensure that sufficient cash balances are held in instant access current accounts to meet day-to-day working capital requirements.
- 3.1.2. To invest funds which are surplus to short-term operational needs to generate an acceptable rate of return without undue risk, ensuring that the security of funds takes precedence over revenue maximisation.
- 3.1.3. To ensure that there is no risk of loss in the capital value of any cash funds invested.
- 3.1.4. Where appropriate, to spread investments between differing institutions to reduce risk.

4. Permitted investments

- 4.1. This policy permits surplus funds to be invested in treasury and deposit accounts, denominated in Sterling.
- 4.2. Funds may be placed on deposit with permitted institutions either directly, or via an investment fund manager which is approved by the trust's bankers.
- 4.3. Prior approval is required from the Education & Skills Funding Agency for investment transactions that are novel or contentious. Novel transactions are those of which the academy trust has no experience, or are outside the range of normal business activity for the trust. Contentious transactions are those which might give rise to criticism of the trust by Parliament, the public, and the media. The investments which are permitted in accordance with this policy are not considered to be novel or contentious. Any investments which may be considered to be novel or contentious must not be entered into.

5. Management of investment risk

- 5.1. To manage the risk of default, funds may only be placed on deposit only with banking institutions that are regulated by the Financial Conduct Authority and which have a minimum Standard & Poor's rating of A+ with a stable outlook.
- 5.2. Investments which involve capital risk are not permitted.
- 5.3. The protection against institutional failure which is provided by the Financial Services Compensation Scheme is limited to £85,000 per banking license, which is significantly lower than deposit account values are anticipated to be. As investments are limited to cash deposit accounts only, with UK institutions with a high credit rating and stable outlook, it is permissible for deposits to be held with a single institution as this does not expose the trust to any additional risk above the historic position of holding cash within current accounts at a single institution.

6. Availability of funds

- 6.1. The level of funds which may be placed on deposit will be determined by reference to the trust's cash flow forecasts.
- 6.2. Sufficient cash must be held within the trust's current accounts to ensure that the trust's financial commitments can be met as they fall due. As a minimum, instant access funds equivalent to one month of payroll payments and one month of supplier payments must be maintained.

7. Investment decisions

- 7.1. The Head of Finance will propose investments and provide supporting cashflow analysis to the National Director of Finance & Strategy (NDFS).
- 7.2. The NDFS may approve the placement of funds in deposit accounts in accordance with this policy, in accounts which have a maximum term of 12 weeks.
- 7.3. Any proposals to place funds on deposit for a term exceeding 12 weeks require the prior approval of the Finance & Capital Committee.

8. Management of investments

- 8.1. The Head of Finance will maintain a cash flow forecast which must cover at least the current and next financial year. The forecast will be based on the latest budgets and forecasts and updated for risks and opportunities. The forecast will be updated each month.
- 8.2. Investment decisions will be proposed by the HF for approval by NDFS. Deposit requests must be made in accordance with the bank mandate.
- 8.3. Investment income will be recorded centrally within unrestricted funds.
- 8.4. The use of external treasury advisors is not considered necessary for the investment of surplus cash funds in accordance with this policy.

9. Reporting requirements

- 9.1. The Head of Finance will update the trust's cash flow forecast each month as part of the monthly reporting process and will provide a copy to the NDFS for review.
- 9.2. The Head of Finance will maintain an analysis of all deposit funds held and will provide a summary of the amounts held on deposit, applicable interest rates and notice periods to the NDFS each month.
- 9.3. A bridge analysis of forecast and actual cash flows will be prepared by the Head of Finance for review by the NDFS each month and significant variances must be explained.

- 9.4. Extracts from the trust's cash flow forecast will be included in monthly reporting packs provided to trustees, together with a review of investment income compared to expectations and a comparison of actual and forecast cash balances to enable monitoring of the accuracy of the cash flow forecasting process.