HCAT

Treasury Management, Investment and Reserves Policy

EDUCATE. EMPOWER. INSPIRE.

Contents

HCAT Treasury Management, Investment and Reserves Policy 2

1. Introduction 2
2. Responsibility 2
3. Cash Flow Forecasts 2
4. Borrowing 2
5. Deposits 3
6. Limits and Authority 3
7. Register of Deposits 3
8. Purposes and setting of Reserves 3
9. Restrictions on Cash Reserves 4
10. Level of Cash Reserves 4
11. Monitoring, evaluation and review 4

Version Number	Version Description	Date of Revision
1	Original	July 2023
2	Reviewed and Rebranded	June 2024

HCAT Treasury Management, Investment and Reserves Policy

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

The objectives of this policy are to ensure that the Trust: -

- maintains sufficient cash balances in its current accounts 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 and ensures that security of funds takes precedence over revenue maximization
- considers spreading risk between differing institutions to reduce risk
- maintain sufficient reserves to mitigate against future risks, whilst not holding unnecessarily high levels of reserves

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.

As part of good governance, best practice and in compliance with the Academies Trust Handbook, HCAT has developed a framework for managing and maintaining its reserves. This will ensure that they are deployed in a meaningful time to benefit the pupils who are present in the Trust's schools during the time the reserves have accrued, while being balanced against effective stewardship of public funds.

The directors have the responsibility to manage the assets of the Trust which is a single legal entity. Setting a reserves policy is a central part of managing the Trust's finances and safeguarding the Trust's assets in uncertain times. Directors must ensure that the Trust holds enough reserves to implement its future strategy. The level of reserves therefore depends on the level of funds required to implement the future strategy.

2. Responsibility

The Accounting Officer (CEO) 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 Finance Officer (CFO), who will liaise with the Accounting Officer and Board of Trustees in relation to investment decisions.

3. Cash Flow Forecasts

The Chief Finance Officer 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.

4. Borrowing

The Trust is not permitted to borrow without prior permission of the Secretary of State.

5. 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. This will be invested at a rate of £250k per investment at quarterly instalments.

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.

The Academy will only deposit funds with bodies protected by the Financial Services Compensation Scheme.

6. 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, including use of an approved investment platform
- Reallocate reserves between academies or pool reserves centrally as it sees fit to meet the needs of the Trust

The Board of Trustees delegates authority to the Chief Finance 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.

7. Register of Deposits

The Chief Finance Officer will maintain an electronic 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

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

8. Purposes and setting of Reserves

Reserves are the representation of the cash balances available at the period end. In charity accounts (the format used for academies) this cash is transferred into fund balances. These balances can be for 'restricted' or 'unrestricted' purposes depending on their source.

There are four primary reserve categories for which their purpose is detailed below:

Free Revenue Reserve – these are unrestricted and may be used however the Trust sees fit as part of achieving its strategic objectives, while still complying with the Academies Trust Handbook and the furtherance of the Trust's charitable objects. If part of an unrestricted income fund is earmarked for a project, it may be 'designated' as a separate fund. However, the designation has an administrative purpose only and does not legally restrict the

directors' discretion to spend the fund. Unrestricted reserves will be achieved through operational efficiencies and any trading activities undertaken by the Trust.

Restricted Revenue Reserves – these are reserves that are restricted in certain ways, whether they be relating to the Teaching Centre, Pupil Premium etc. While they may be used, the restrictions on the income initially received remain in place.

Restricted Fixed Asset Reserve – This represents the current carrying value of all fixed assets that have transferred to the Trust from the Local Authority as a result of School conversions, donated and granted fixed assets and any other fixed asset purchased from Free and Restricted Reserves.

Restricted Pension Reserve – This represents the Trust's share of the deficit on the Local Government Pension Scheme (LGPS) transferred to the schools on conversion from Local Authority control.

9. 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.

10. 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 is as follows:-

- Mitigating against future real terms funding cuts.
- Mitigating against additional salary and pension costs,
- Mitigating against undiscovered liabilities for incoming academies
- Mitigating against fluctuating energy costs by developing an energy & sustainability strategy

Reserves as at 31 May 2023 are over £3.5m. This is expected to increase to ….. by 31 August 2023

The policy of the Academy is to carry forward a prudent level of resources designed to meet the long-term cyclical needs of renewal and any other unforeseen contingencies, subject to the constraint that the level of resources does not exceed the level permitted by the ESFA.

Reserves of approx. 5% of the GAG to be maintained by each Trust academy.

Academies will be expected to make future provisions of 1% and above in future annual budgets to build future reserves. Deficit in year budgets will need to be approved by the CEO.

An additional provision is required for capital works to ensure that the buildings/equipment are fit for purpose over the medium term. The Trust capital plan covers estate and ICT and will cover both maintenance and improvement works. HCAT has received School Conditional Allocation since September 2021 – this is funding to be spent on capital that is available to trusts with at least 5 schools and 3000 pupils.

11. Monitoring, evaluation and review

The Chief Finance Officer will update the Trustees regarding any deposit or investments at each Finance and Audit Committee meeting.

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