

# The Diocese of Chelmsford Vine Schools Trust

## Investment Management Policy

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# Investment Management Policy

## 1.0 Introduction

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- 1.1 Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Services as the management of the Academy's cash flows, banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The objectives of treasury management are:
  - To provide a means by which the Academy can meet its commitments
  - To ensure that sufficient sums are available at short or no notice to meet foreseeable requirements
  - To earn an acceptable rate of return on surplus funds without undue risk
  - To spread risk between differing types of investment and institutions

## 2.0 Responsibility

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- 2.1 The Trust Board of Directors has overall responsibility for the security and management of school funds. The day to day management of the treasury function is controlled by the Finance Director.
- 2.2 The Finance Director will liaise with the Headteacher in relation to strategy and market conditions.

## 3.0 Borrowing of funds

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- 3.1 The Academy is not allowed to borrow without the permission of the Secretary of State. The Academy does not currently envisage the need to borrow or operate an overdraft. Should this situation change the overdraft / borrowing will only be undertaken after approval of both the Trust Board and Secretary of State.

## 4.0 Investment of funds

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- 4.1 A return on working capital should be optimised whilst ensuring easy access of the funds. In balancing risk against return the Academy policy is clearly geared to avoiding risk rather than maximising income.
- 4.2 The Academy will operate an interest bearing current account with a bank approved by the Board and maintain a balance in that account that is sufficient to cover immediate and forthcoming financial commitments (payroll and payment runs) and sufficient contingency (cash buffer) for unexpected payments.

- 4.3 Monies surplus to the working requirements can be invested in an account in the name of the Academy Trust with the approved institutions authorised by the Board. This may be a higher interest bearing account operated by the same bank that the Academy operates its current account with, or an alternative approved institution.
- 4.4 The Academy will not take out any long term investments until a reliable cash flow pattern has been established; monies will only be paid into approved fixed rate investment accounts ie Sterling Money Market, allowing access to funds within a term not exceeding six months.

## **5.0 Credit risk**

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- 5.1 Credit risk will be minimised by ensuring that funds are spread across a range of institutions as appropriate. The limits of funds invested with approved institutions will be approved at least annually by the Trust Board of Directors and more frequently subject to market conditions. The current approved limit is set out in Appendix A.

## **6.0 Cash flow forecasts**

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- 6.1 The Finance Director will prepare and present to the Finance and Audit Committee a forecasted monthly cash flow statement as part of the monthly financial reporting pack in order to highlight expected cash balances throughout the year that may be invested and give early warning of any need to seek approval to borrow.

## **7.0 Approved institutions for investment**

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- 7.1 Security of investment is paramount. Appendix A attached provides a list of approved banks which are recognised as high quality investment counterparties at the date of approval of this policy. The Finance Director will take external treasury management professional advice as needed to ensure timely amendments are brought to the Board should the assessed strength of these institutions be downgraded or should it be felt appropriate to incorporate new institutions.

## **8.0 Limits and authority**

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- 8.1 The Trust Board reserves the power to:
- Give prior approval to the opening of new bank current accounts
  - Amend the list of approved institutions
  - Give prior approval to any bank deposit with a maturity date of greater than six months
  - Give prior approval to any investment product other than a bank deposit

- 8.2 The Board delegates power to the Academy Finance Lead (AFL) to place deposits in the Academy's name, at approved institutions, subject to the agreed limit in Appendix A. No deposits will be placed by the AFL without prior authorisation of the bank signatories subject to their relevant limits. Deposits will be confirmed in writing after the event by the bank.
- 8.3 Authorised cheque / bank transfer signatories of the Academy are set out in the Academy Financial Regulations Manual.

## **9.0 Register of investments / deposits**

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- 9.1 The Finance Director will maintain a register of all investments / deposits held which will record:
- Institution with which the deposit was made
  - Date deposit was placed
  - Amount deposited
  - Date of maturity
  - Amount returned
  - Interest earned
  - Rate of interest obtained
  - Authorisation for the transaction
- 9.2 Each local academy will be required to submit an Investment Management form (see appendix B) to the Finance Director.

## **10.0 Recording and monitoring**

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- 10.1 Bank balances and all investments / deposits will be reconciled and balanced, by the AFL, to the Academy's accounting records every month.
- 10.2 Cost of funds and requirement for funds will be monitored on an ongoing basis via the management accounts, in particular the 12 month rolling cash flow forecast.

## **Monitoring, evaluation and review**

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- 11.1 The Academy will review this policy annually and assess its implementation and effectiveness. The policy will be promoted and implemented throughout the Academy Trust.
- 11.2 The Finance Director will report on the effectiveness of the policy to the Finance Committee as appropriate.

## **Appendix A – List of institutions for investment**

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Institutions used for investment should not have a worse “Standards and Poors” credit rating than the clearing bank being used by the academy.

No more than half funds are to be invested with one institution.

The current approved list of institutions:

*Finance Director to establish a list of approved institutions and add to policy*

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## Appendix B – Investment Management Form

Academy Name:	Completed by:	Date:
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Institution	
Date Deposit	
Amount Deposited	
Date of Maturity	
Amount Returned	
Interest Earned	
Rate of Interest Obtained	
Authorisation for the Transaction	
Minimum surplus cash balance as per cash flow forecast during the term of the deposit	