

Example treasury policy for a school



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Purpose and scope

To set out the processes by which the school can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed. In doing so, governing body must:

- Act within their [school's/academy's] power to invest
 - Set investment objectives
 - Set the parameters that deposit counterparties need to meet
 - Consider the level of liquid cash required to be held either overnight or within current accounts
 - Approve the type of products that the school can invest in and seek external guidance if required
 - Define processes to manage and make investment decisions
 - Monitor and review investments on a regular basis
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Responsibility

The governing board delegate the day-to-day responsibility of managing and implementing the investment policy to the Finance Director to ensure investments are managed in accordance with this Policy and monitor regularly how the school's investments are performing.

Objectives

The [school's/academy's] overall investment objective is to preserve and grow capital in real terms and generate returns that support the school's educational mission and long-term financial stability. The school seeks to produce a suitable financial return within an acceptable level of risk. The school seeks to produce a suitable financial return within an acceptable level of risk that does not compromise day-to-day operations or pupil outcomes. All investment decisions must align with the school's educational priorities and budget planning.

Any investment decisions must be supported by a cashflow forecast that clearly demonstrates that the school is left with sufficient liquidity to carry out its daily activities.

Counterparty risk

The [school/academy] will only deposit its money with a trustworthy provider. The school will only use banking providers that are authorised by relevant financial regulator such as the the Financial Conduct Authority, the Prudential Regulation Authority or a relevant financial regulator in any other country.

Counterparty limits

The [school/academy] uses Fitch Ratings to look at both the Credit Rating and Financial Implied Credit Scores. The Credit Rating or Financial Implied Credit Score will be checked before each deposit placement or roll-over.

Any accrued interest is in addition to / inclusive within these maxima.

Grade	Rating / Score	Maximum deposit per bank	Maximum maturity period
Very High	AA+ AA AA-	£5,000,000	5 years
High	A+ A A-	£1,000,000	5 years
Good	BBB+ BBB BBB-	£500,000	5 years
Speculative (or below)	BB+ BB BB-	£85,000	1 year

Credit ratings comparison table

	Moody's		S&P		Fitch			
Rating	Long term	Short term	Long term	Short term	Long term	Short term		
Very High	Aaa	P-1	AAA	A-1+	AAA	F1+		
Highest (Triple A)		(Prime-1)						
Investment grade:								
Very High	Aa1		AA+	A-1	AA+	F1/F1+		
	Aa2		AA		AA			
	Aa3		AA-		AA-			
Investment grade:	A1		A+	A-1	A+	F1/F1+		
High	A2	P-2 / P1	A		A			
	A3	P-2 / P1	A-		A-			
Investment grade:	Baa1	P-2 (Prime - 2)	BBB+	A-2	BBB+	F2		
Good	Baa2	P-3 / P2	BBB		BBB			
	Baa3	P-3 (Prime - 3)	BBB-		BBB-			
Speculative Grade:	Ba1	Not Prime	BB+	B	BB+	B		
Speculative	Ba2		BB		BB			
	Ba3		BB-		BB-			
Speculative Grade:	B1		B+	B	B+	B		
Highly speculative	B2		B		B			
	B3		B-		B-			
Speculative Grade:	Caa1		Not Prime	CCC+	C	CCC	C	
Very High Risk	Caa2			CCC				
	Caa3			CCC-				
Speculative Grade:				Ca	CC	C	CC	C
					C		C	
Very near to default								
In default	C			SD/D	D	C	RD/D	

Assessing liquidity needs

The [CFO/bursar/school business manager] should ensure that a sufficient balance is held across accounts with instant access so that the school's financial commitments can be met without the risk of the current account going overdrawn.

A contingency amount should also be considered to give flexibility to cover any reasonable one-off events.

If interest rates are not competitive on the current account or by using a sweep facility, the Finance Director can consider placing some of the surplus cashflow funds into an appropriate instant access/ easy access deposit account providing cleared funds can be repatriated within a short period of time.

The school's cashflow forecasts will dictate how much is available for investment and for how long.

The cashflow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

Investment products

Any monies held in savings or deposit account qualify as investments. The school can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

Overnight (instant access / easy access)

Notice accounts (typically ranging between 30 days up to 365 days)

Fixed term deposits (decide if you want the ability to go beyond 12 months)

Investments should not exceed 5 years in term.

New asset classes will be considered by the Finance Committee.

See the appendix for more on investment products.

Investment decisions

The Finance Director is responsible for producing reliable cash flow forecasts as a basis for decision making.

The Finance Director is responsible for making investment decisions that comply with this Policy.

The opening or closing of bank accounts should be authorised in line with the current Financial Regulations.

Monitoring & Reporting

The [CFO/bursar/school business manager] will report investments held and the performance of investments against objectives to the governing body for review termly or when requested to do so. The reporting should include:

- Funds invested and the tenor
- Maturity dates / Notice maturity dates
- Interest rates
- Current market rates
- Blended returns achieved against expected performance and policy benchmarks
- Latest cash flows showing 12 month liquidity requirements
- Recommendations for the next **3 months**.

Review

The governing body should review the Investment Policy to ensure it is still fit for purpose **annually**.

REVISED: [00/00/2025]

REVIEW DATE: [00/00/2025]

Appendix

Appendix A - Approved Investment Products Introduction

This appendix sets out the investment products permitted under the school's (or trust's) Treasury Policy, in line with the Academy Trust Handbook and DfE guidance on the management of public funds.

All investments must be made prudently, prioritising the security of capital and liquidity over return, and must not expose public funds to inappropriate or speculative risk.

The aim is to ensure funds not immediately required for operational use are placed in low-risk, accessible instruments that safeguard resources and generate modest returns for the benefit of pupils.

Investment type	Description	Risk Level	Liquidity	Permitted (Yes/No)	Condition/Notes
Bank deposits	Cash deposits held with UK-regulated banks or building societies.	Low	High	Yes	Must be held with institutions regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). Deposits should not exceed FSCS protection limits per institution (£85,000).
Savings accounts / Notice accounts	Interest-bearing accounts providing instant or short-term access.	Low	High	Yes	Suitable for operational reserves and short-term balances. Notice period should not exceed 95 days unless approved by the Trust Board.
Local authority deposits	Deposits placed with UK local authorities.	Low	High	Yes	Permitted where the authority maintains a sound credit rating and complies with approved counterparty limits.
Money market funds (MMFs)	Diversified funds investing in short-term, low-risk instruments.	Low-Medium	High	Yes	Must be AAA-rated or equivalent, with daily liquidity. Total exposure to MMFs should not exceed 25% of total investments.
UK Government bonds (gilts)	Bonds issued by HM Treasury.	Low	Medium	Yes	Suitable for longer-term surplus funds (typically up to 3 years).
Corporate bonds	Debt securities issued by companies.	Medium	Medium	No	Not permitted due to capital and credit risk.
Equities (shares)	Ownership interests in listed companies.	High	High	No	Not permitted under DfE guidance; not appropriate for public funds.
Derivatives	Contracts based on underlying assets (e.g., options, swaps).	High	Variable	No	Not permitted.
Alternative/complex instruments	Includes hedge funds, structured products, or unregulated schemes.	High	Low-Variable	No	Not permitted under the school's low-risk investment policy.

Get in touch

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