Pathway Trust

Treasury Management Policy

Policy effective from	1 September 2026
Policy owner	Director of Finance
Policy applies to	Berrow Church Primary School Burnham-on-Sea Infant School Castle Batch Primary School Charfield Primary School Cherry Garden Primary School Downend School East Huntspill Primary School Lyde Green Primary School Mangotsfield School Marlwood School Pawlett Primary School Priory Community School Severn Beach Primary School St Andrew's Church Junior School St Anne's Church Primary School The Castle School The King Alfred School Tortworth Primary School West Huntspill Primary School Worle Community School Pathway Partnership Teams
Policy changes since last version	New policy

1. Introduction

1.1 Treasury Management is defined as:

- The management of Pathway 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.

2. Objectives

2.1 The objectives of this policy are to ensure that the trust:

- Maintains sufficient cash balances in its current account to meet its day to day commitments.
- Invests surplus cash to earn an acceptable rate of return without undue risk.
- Complies with the Academy Trust Handbook and ensures that security of funds takes precedence over revenue maximisation.
- 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.

2.2 There are a number of constraints placed upon academy trusts 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.

3. Responsibility

3.1 The Accounting Officer (Chief Executive) and Board of Trustees have overall responsibility for the security and management of funds. The Board delegates the day-to-day management and implementation of this policy to the Director of Finance (Chief Financial Officer), who must ensure all investments are made in accordance with the limits set herein and provide regular performance monitoring reports to the Board.

4. Cash flow forecasts

4.1 The Director of Finance 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.

5. Borrowing

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

6. Deposits

6.1 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.

6.2 Monies surplus to the working requirements shall be invested in low-risk deposit accounts or term deposits of twelve months or less in regulated institutions.

6.3 The trust will not take out any long-term deposits unless reliable cash flow patterns are established, and explicit Board approval will be required for any term deposits exceeding twelve months.

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

7. Limits and authority

7.1 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 twelve months.
- Appoint a financial expert to advise on investments.

7.2 Counterparty Risk and Credit Rating Framework

To manage counterparty risk, the Director of Finance is authorised to place deposits only with regulated UK institutions according to the following tiered limits based on the lowest published credit rating.

The Credit rating or Implied Credit Rating will be checked at the time of placing a deposit.

Ratings comparison supplied by Insignis Cash Solutions

Rating	Moody's Long Term	Moody's Short Term	S&P Long Term	S&P Short Term	Fitch Long Term	Fitch Short Term	
Investment grade: Highest (Triple A)	Aaa	P-1 (Prime-1)	AAA	A-1+	AAA	F1+	Limit = £10m per institution (plus interest accrued)
Investment grade: Very high	Aa1		AA+		AA+		
	Aa2		AA		AA		
	Aa3		AA-		AA-		
Investment grade: High	A1		A+	A-1	A+	F1/F1+	
	A2	P-2/P-1	A		A	F1	
	A3	P-2/P-1	A-		A-	F2/F1	
Investment grade: Good	Baa1	P-2 (Prime-2)	BBB+	A-2	BBB+	F2	Limit = £5m per institution (plus interest accrued)
	Baa2	P-3/P-2	BBB	A-3	BBB	F3/F2	
	Baa3	P-3 (Prime-3)	BBB-		BBB-	F3	
Speculative grade: Speculative	Ba1		BB+	B	BB+	B	Limit = £0
	Ba2		BB		BB		
	Ba3		BB-		BB-		
Speculative grade: Highly speculative	B1		B+		B+		
	B2		B		B		
	B3		B-		B-		
Speculative grade: Very high risk	Caa1	Not Prime	CCC+	C		C	Limit = £0
	Caa2		CCC		CCC		
	Caa3		CCC-				
Speculative grade: Very near to default	Ca		CC		CC		
			C		C		
			C		C		
In default	C		SD/D	D	RD/D	RD/D	

7.3 **Operational Security**

- **Dual Control:** All investment activities, including opening accounts and moving funds, must be restricted to "dual control". No single individual may initiate and authorise a transaction.
- **FSCS Protection:** The Trust recognises the FSCS compensation limit increased to £120,000 on 1st December 2025.

8. Register of deposits

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

- Institution with which deposit is placed.
- Date deposit placed.
- Amount deposited.
- Date of maturity.
- Amount returned.
- Rate of interest.
- Interest earned.

9. Restrictions on cash reserves

9.1 The DfE is able to set limits on the sum of General Annual Grant (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 trust will not build up a substantial cash surplus without having in place a clear plan for how it will be used to benefit pupils.

10. Level of Cash Balances

10.1 The trust maintains a Reserves Policy.

10.2 Financial risk is regularly reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risks to the trust are as follows:

- Managing its short-term cash flow effectively and ensuring prior-year School Condition Allowance receipts that have been set aside for major capital schemes are ring-fenced.
- Mitigating against future real terms funding pressures.
- Mitigating against sudden, unexpected costs that are either unfunded or where there is a delay in funding.

11. Cash balances

11.1 To cover the above risk factors, a minimum cash balance will be maintained which is equivalent to one month's salary cost.

12. Monitoring, evaluation and review

12.1 The Director of Finance will regularly present the Register of Deposits to the Finance and Operations Committee.