Policy No: FIN004

Treasury Management Policy

Purpose

This document sets out the Inspire Education Group's (IEG) policies, practices and objectives regarding its treasury management activities.

The Group defines treasury management as:

- Management of the Group's cash flows, its banking, money market and capital market transactions
- The effective control of the risks associated with those activities
- The pursuit of optimum performance consistent with those risks

The Group considers that the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured.

Scope

This policy applies to all cash resources under the control of the IEG Group, including those held in subsidiary bank accounts and for bursary funding.

The Policy Statement

The overriding principle is to avoid risk rather than to maximise return. The criterion is therefore for security, liquidity and yield, in that order.

Risk Management

The Chief Financial Officer will:

- Design, implement and monitor all arrangements for the identification, management and control of treasury management risk
- Report at least annually on the adequacy/suitability thereof and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the institution's objectives in this respect

The Group has considered the risks and the arrangements which ensure compliance with these objectives, as set out in Appendix 2.

Related Procedures and Documentation

- Financial Regulations
- Modern Slavery Policy

Responsibility

The Chief Financial Officer will delegate daily management and execution of investment transactions to appropriate staff in the Finance Department.

The Chief Financial Officer will:

- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the Treasury Management function
- Report to the Corporation Board, or delegated sub-committee, at least once in each financial year on the activities of the treasury management operation
- Is responsible for ensuring all institutions with which IEG has a commercial relationship have no reported history of modern slavery breaches

The Group Director of Finance will report monthly to the Chief Financial Officer on investment performance.

Treasury Management Policy - Procedures

Decision Making and Analysis

The Group will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Approve Instruments, Methods and Techniques

The Group will undertake its treasury management activities within the limits and parameters defined in Appendix 3 Treasury Management Practices.

Organisation and Segregation of Responsibilities

The Group considers it essential for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies. In particular with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

The Chief Financial Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The Chief Financial Officer will also ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

Reporting Requirements and Management Information

The Finance Committee will receive a report on the activities of the treasury management operation at least once per year. The report should include:

- Performance of the investment portfolio
- The location of the invested funds
- The status of the loan portfolio, including interest rate management.

Cash and Cash Flow Management

The Chief Financial Officer will have responsibility for the cash management of the Group and its subsidiaries as defined under this policy.

Cash flow projections will be prepared on a regular and timely basis, and the Chief Financial Officer will ensure these are adequate for the purposes of monitoring compliance with treasury management practice on liquidity risk management.

Money Laundering

The Group is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that all staff involved are properly trained and fully aware of the Group's Anti-Money Laundering procedures in the Financial Regulations.

Staff Training and Qualifications

The Group recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will, therefore, seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Chief Financial Officer will recommend and implement the necessary arrangements.

Use of External Service Providers

The Group recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will further ensure, where feasible and necessary, that a spread of service providers is used to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, the Group's financial and procurement regulations will always be observed. Where external service providers are appointed with the responsibility for day-to-day treasury matters, the Group will retain full responsibility for the safeguarding of its funds and setting the treasury strategy.

FINANCIAL RISK MANAGEMENT

Risk	Description of the risk	Group response to the risk
Credit and Counterparty Risk	The risk of failure by a counterparty to meet its contractual obligations to the Group under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the Group's capital or current (revenue) resources.	The Group regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques listed in Appendix B. The list will be reviewed on an ongoing basis by the Chief Financial Officer. The Chief Financial Officer will have the power to temporarily remove (and then to reinstate) any counterparty if any current issues should result in doubts over that counterparty's ability to repay funds.
Liquidity Risk	The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs and that the Group's business objectives will be thereby compromised.	The Group will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business objectives. Accordingly, the Chief Financial Officer is authorised to arrange short-term overdraft facilities with the Group's bankers in accordance with the Group's bank mandate.

Risk	Description of the risk	Group response to the risk
Interest Rate Risk	The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Group's finances, against which the Group has failed to protect itself adequately.	The Group will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues while maintaining the security of the invested funds. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
Exchange Rate Risk	The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Group's finances, against which the Group has failed to protect itself adequately.	The Group will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. The Group will normally only retain funds in currencies to the extent that payments are due to be made in these currencies. This will be reviewed quarterly and any currency balances surplus to requirement will be transferred into sterling at the best rate achievable at that time.
Refinancing Risk	The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Group for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.	The Group will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Group as can reasonably be achieved in the light of the market conditions prevailing at the time. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective,

Risk	Description of the risk	Group response to the risk
		and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.
Legal and Regulatory Risk	The risk that the Group itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Group suffers losses accordingly.	The Group will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements.
Covenant Breach Risk	The risk that the Group fails to meet terms set by lenders which leads to default of loans and the resulting withdrawal of credit facilities.	The Group will monitor its loan covenant compliance on an ongoing basis appropriate to the risk. The Chief Financial Officer will report annually to the Corporation Board. The Group will seek to minimise the security requirements of new debt and maximise the opportunity of the existing debt portfolio.
Unethical Investment Risk	The risk of investing in a portfolio of institutions that are deemed to be involved in unethical investments and companies that engage in modern slavery.	IEG will invest cash resources in organisations with the exception of those found to have breached statute in their worldwide operations any of the following ways: ● Fined for environmental damage ● Proven institutional violations of human rights ● Breached minimum pay legislation ● Class actions involving systematic breach of the Equalities Act ● Adverse ruling on Modern Slavery Act

Inspire Education Group

TREASURY MANAGEMENT PRACTICES

Approved Instruments, Methods and Techniques

Credit and Counterparty lists

Security of the Group's funds will be achieved by restricting the placement of funds using the following criteria:

UK banks and building societies

- Short and long-term credit ratings and outlooks from Fitch, Moody's and Standard and Poor's are considered and placements will be restricted to organisations that have a minimum credit rating at ALL credit rating agencies of:

	Fitch	Moody's	Standard & Poor's
Short Term	F1	P-1	A-1
Long Term	A	A2	A

- Where an institution has no short-term rating, then the long-term rating should be fully compliant
- Investments with a single banking group shall not exceed £5M. (For example, as Lloyds and Bank of Scotland are in the same banking group, the counterparty limit may be split across both institutions but may not exceed the limit in total)
- Cash balances up to £8M held with the Group's clearing bank will be in addition to the counterparty limit

Overseas Based Institutions

- Short and long-term credit ratings and outlooks from Fitch, Moody's and Standard and Poor's are considered and placements will be restricted to organisations that have a minimum credit rating at ALL credit rating agencies of:

	Fitch	Moody's	Standard & Poor's
Short Term	F1+	P-1	A-1+
Long Term	AA-	Aa3	AA-

- Where an institution has no short-term rating, then the long-term rating should be fully compliant
- Investments with a single banking group shall not exceed £5M

Money Market Funds

- Money Market Funds must be AAA rated by at least one of Fitch, Moody's and Standard and Poor's. If a fund is rated by more than one agency, then all ratings must be AAA
- Money Market Funds may consist of assets from non-UK banking institutions
- Investments with a single Money Market Fund shall not exceed £20M

All investments in UK Banks and Building Societies, Overseas institutions and Money Market Funds will be made in GBP sterling.

Investing and depositing surplus funds

The overriding principle is to avoid risk rather than to maximise return. The criterion is therefore for security, liquidity and yield, in that order.

- The Chief Financial Officer is responsible for the investment of available monies in accordance with the policy
- Available monies can only be invested with organisations that fit the counterparty limits detailed in Appendix 2 Section 1
- The credit ratings of organisations will be monitored monthly using external sources of information such as credit agency reports. In addition, when a new investment is placed, the credit rating for that counterparty will be checked
- The use of money brokers and other similar agencies in the placement of funds is permitted
- Funds may only be invested in investment vehicles which guarantee the security of the original capital sum
- Investment decisions shall be made with reference to:
- No single investment shall be placed for a period greater than one year, without an annual review
- Group cash flow requirements
- Highest available investment yield
- The limit for any investment is the greater of £5M or 25% of available funds are to be placed in any one investment

Funds become available for investment on the following basis:

Funds available for investment are calculated as those over and above those held in the current account that are in excess of those needed to service 60 cash days for normal operational activities. Funds may be invested as follows:

- Up to 100% of remaining fund can be placed in short term deposits (up to 90 days)
- Up to 30% of remaining funds in short to medium term investments (91 to 180 days)

- Up to 20% of remaining funds in medium to long term deposits (181 days plus)

Banking Services

Banking Services provided by the Group's bankers should be formally defined and there should be consideration for the following factors:

- Authority for the appointment of bankers and responsibility for banking arrangements is as defined within the Financial Regulations
- The Banking Services will be market tested every five years to decide whether the banking services in conjunction with bank charges represent value for money
- Banking Services will be monitored to ensure that the services provided are in accordance with the contract and are of a satisfactory standard
- Bank charges will be monitored as they occur to ensure that they are in accordance with the contract
- An annual review will be carried out to determine the suitability of banking services provided and the number and operation of bank accounts held

Financing

The Chief Financial Officer will report at least once annually with analysis of all currently outstanding loans.