



## Cash Management & Investments Policy

### PURPOSE

This policy outlines the Ark approach to cash management and investments for individual schools and Ark central.

Date of last review:	September 2014	Author:	Head of Financial Reporting
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Type of policy:	<input checked="" type="checkbox"/> Network-wide <input type="checkbox"/> Set for school <input type="checkbox"/> Tailored by school	Approval:	Board
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### POSITIONING WITHIN ARK OPERATIONAL MODEL

Component	Element
<input type="checkbox"/> Strategic Leadership & Planning <input type="checkbox"/> Monitoring, Reporting & Data <input type="checkbox"/> Governance & Accountabilities <input type="checkbox"/> Teaching & Learning <input type="checkbox"/> Curriculum & Assessment <input type="checkbox"/> Culture, Ethos & Wellbeing <input type="checkbox"/> Pathways & Enrichment <input type="checkbox"/> Parents & Community <input checked="" type="checkbox"/> Finance, IT & Estates <input type="checkbox"/> Our People	Budgeting & long-term planning

## **1. Summary**

Every academy needs to ensure that it has appropriate cash reserves to meet its obligations, and that any cash reserves earn a return. Banking and investment systems must be in line with Ark Schools' regulations to ensure consistency of approach, ease of administration and reduction of risk.

## **2. Bank Accounts**

Ark Schools automatically opens one current account for the academy. The bank chosen follows a tender process that ensures the best returns plus convenience of service. The tender was last carried out in 2011 and awarded to Lloyds TSB. It is not anticipated that further accounts will be required. The opening of any further accounts must be authorised by Ark Schools.

The bank mandate for the academy is held by Ark Schools who act as administrators for banking arrangements.

## **3. Deposits**

Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:

- The amount of the deposit and;
- A reference, such as the number of the sales invoice or receipt or the name of the debtor.

## **4. Payment Procedures**

All cheques, BACS payments or other instrument authorising withdrawal from academy bank accounts must be signed by two of the following (as per the bank mandate):

- The Principal;
- Finance and Resources Director;
- Small School Head/Vice Principal;
- Authorised Ark representatives.

This provision applies to all accounts, public or private, operated by or on behalf of an Ark academy. Decisions to sign cheques for more than £50,000 must be approved by the governing body.

## **5. Administration**

The FRD must ensure bank statements are downloaded regularly and reconciled at least monthly. Reconciliation procedures must ensure that:

- All bank accounts are reconciled to the nominal ledger;
- Reconciliations are prepared by the Finance Manager;
- All reconciliations and outstanding items are reviewed by the FRD; and
- Adjustments arising are dealt with promptly.

## **6. Cash Flow Forecasts**

The FRD is responsible for preparing cash flow forecasts to ensure that the academy has sufficient funds available to cover its obligations. If significant surplus balances are forecast, steps should be taken to invest the surplus. Similarly appropriate plans should be made in the event of a forecast shortage, and should be discussed with Ark Schools.

## **7. Investments**

- 7.1 As set out above, it is anticipated that all surplus funds will be invested in order to generate the best possible low risk returns. With Lloyds this would be through short term investments on the money market which generate higher levels of return than the current accounts. The nature of these investments means that sums not required in the next six weeks can be invested leading to a potential series of short term investments. The longer funds can be tied up for the higher the interest rate. It is important that the academy considers likely cash needs before tying up funds in this way.
- 7.2 In addition Ark Schools has an arrangement with JP Morgan to invest funds on a longer term basis. Funds can be added to this at any time, but only where they are not required for at least 12 months. See below for more details.
- 7.3 If however it is anticipated that greater returns can be achieved through investing independently then this can be done. Investments may however only be made in accordance with procedures approved by Ark Schools. It is expected that all investment decisions will be made on a risk averse basis. A copy of all documents relating to investments placed should be sent to the Ark Schools Finance team, before transfer.
- 7.4 Investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated, including the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure that income receivable is actually received.

## **8. Endowments**

- 8.1. The financial obligations under sponsorship arrangements set out by the DfE have changed three times during our opening of eight academies. The first four academy projects (BDA, KSA, Globe and EGA) had the sponsor contribution paid over to the Department as a contribution to capital costs. The next three projects (Walworth, Ark and St Albans) had agreements to set up an endowment of a fixed sum. The final project (Charter) under this arrangement had agreement to set up an endowment, but without any set sum attached. After that endowments were to be set up on a best endeavours basis. Given the level of subsidy put into the opening of academies by Ark it is not assumed that endowments will be set up for further academies.
- 8.2. Where endowment are in place it is anticipated that for consistency and ease of administration the rules regarding usage of these endowments will match those stipulated by the deed of gift agreed with the DfE (Walworth, Ark and St Albans). These are:
1. Any interest earned can be spent by the academy on any academy purpose without approval, as can any sums added to the pot by the academy itself;
  2. Any spend that diminishes the original capital can only be spent with agreement of the Ark Schools Board, following recommendation of their LGB;
  3. Expenditure on issues arising from completion of a new building (i.e. replacing 'value engineered' elements) will automatically gain approval in the year after handover, so long as they are deemed value for money and in keeping with the academy ethos and building style.
- 8.3. In addition, the following rules are proposed to minimise administration and maximise investment returns.
- Investment strategy is retained by the Ark Investment Committee and is applied equally to all pots;
  - JP Morgan have been appointed investment managers and their performance will be reviewed at least annually by the Ark Investment Committee;

- Amounts can only be drawn down once a year by academies, with a minimum of six months notice, in order to maximise rates and ensure that any withdrawals are suitably considered;
- Additional amounts may be added to the investment pot quarterly, and academies will be encouraged to utilise these endowments to hold reserves/ save towards future planned projects or building/ICT lifecycle replacement costs.

8.4 Any academy that has funds that will not be required for use in the next twelve months can transfer (via Ark UK Programmes) these funds into a ring-fenced pot to try and increase investment returns. It should be noted that the investment strategy applied by JP Morgan, as agreed by the Investment Committee, is a medium risk approach, not a no risk approach, in order to maximise returns. Therefore it is possible that the value of any investment in these pots may go down as well as up. However it is assumed that over a longer period fluctuations will even out to give a higher return than using no risk options.

8.5 Academies with endowments will receive statements as to their value at least every six months. However any movement will not be recognised in their management and year-end accounts until funds are physically released back into their current account.

## **9 Petty Cash Accounts**

9.1 The academy maintains a *maximum* cash balance of £500 at any one time to meet unexpected payments and reimbursements with short notice. The cash is administered by the Finance Manager and is kept in the Finance Office safe.

9.2 Petty cash should only be reimbursed following submission of suitably authorised petty cash forms supported with suitable evidence of expenditure. Wherever possible VAT receipts should be attached and VAT accounted for appropriately.

9.3 The only deposits to petty cash should be either from cheques cashed or ATM withdrawals using the debit card to top up the box. Deposits should be recorded in the petty cash account with the date, amount and a reference, normally the cheque number. Neither this card nor its PIN number should be passed to other members of staff.

9.4 In the interest of security, usually petty cash payments will be limited to £20. Higher value payments should be made by cheque or BACS.

9.5 The Finance Manager is responsible for entering all petty cash transactions into the petty cash book. Regular and unannounced cash counts should be made by the FRD to ensure that all petty cash is accounted for.

9.6 Petty cash should be held in a locked cash box that is kept in the Finance Office safe overnight.

## **10 Credit and Debit Cards**

10.1 To aid purchases where the best deals do not allow for purchase on invoices (i.e. internet purchases) each academy will be provided with a debit and/or credit card in the name of the FRD.

10.2 Debit cards are primarily used for petty cash withdrawals. Credit cards should be kept by the FRD and used sparingly. A full reconciliation should be carried out on receipt of the monthly statement. The same level of proof of purchase is required as with other payments, so receipts and print outs of online purchases should be kept and attached to the statement. VAT should be reclaimed where appropriate.

## **11. Cash management and security**

- 11.1 Academies can deal with significant amounts of cash in relation to school meals, uniform sales, trips and more, depending on local arrangements. It is imperative that the academy has in place robust systems to minimise the risk of loss and suspicion falling on staff members.
- 11.2 The FRD should ensure that any significant amounts of cash are held in a secure place (i.e. a safe), which cannot be easily forced (i.e. a locked drawer). Cash should be banked as soon as possible to minimise risk.
- 11.3 Consideration needs to be given to banking arrangements. Cash collection services may be appropriate, but where cash is banked in person then two staff should accompany any cash and going at set times should be avoided to minimise the risk of robbery.
- 11.4 Any cash coming into the academy should only be given in return for a clear signed receipt. The numbers of staff handling cash should be minimised to reduce the risk of error and theft.
- 11.5 Where significant amounts of cash is being handled or counted, i.e. emptying cash loaders, then this should always be done by two members of staff to reduce risk.
- 11.6 The use of payment systems such as ParentPay or WisePay should be encouraged to minimise the level of cash handling within the academy.

### **See Also**

- Expenses Policy
- Credit Card Usage Form
- Petty Cash Claim Form