ST BRENDAN'S
SIXTH FORM COLLEGE

Treasury Management Policy

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VERSION CONTROL

Version	Date Revised	Author/reviewer	Section / page no. changed	Summary of change(s)
V0.1	Jan-25	Shane Blackshaw		
V0.2	Feb-25	Marian Curran	Section 3.2, p.5 Section 5, p.7 App. A (d), p.9 App. A (f), p.9 App. A (h), p.9 App. D, p.12	Handling emergency financial situations Lease vs. buy option appraisal Inflation risk strategies Money laundering controls Credit and Counterparty Risk Permitted Instruments, Methods & Techniques

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Appendices:

1. Introduction

- This policy is intended to cover the Treasury/Investment Management activities of the College and after consideration of the requirements of the College's Financial Handbook and the increased importance of how the College manages and invests it cash reserves and the financing arrangements in place for capital investment

- The Further & Higher Education Act 1992 includes a "power to invest any sums not immediately required for the purpose of carrying on the activities of the College"

- The core principles the College will follow when investing money are to:
  - Ensure it has sufficient liquidity to meet immediate and short-term financial obligations
  - Safeguarding public funds to ensure any deposits are secure
  - Maximise returns on investments, once the first two considerations have been met

- Treasury management encompasses all aspects of the College's working capital requirements including the maintenance of adequate balances of "liquid" resource in the College's bank accounts, investing surplus funds, and borrowing to finance capital or other expenditure. The funds available to the College comprise of:
  - Short-term cash (e.g. the 'surplus' between the receipt of monthly grants and disbursement of employees' net pay which can be readily invested into an instant access [relatively low] interest-earning account on a temporary basis and then instantly recalled)
  - Long-term cash reserves that have accumulated over time, that are not needed to support day-to-day cash-flow management, and can be invested in a restricted access (higher) interest-earning account

- No treasury management activity is without risk and therefore defining the level of acceptable risk is essential. The treasury policy is designed to minimise the risk of capital loss but cannot eliminate it entirely

- The College is committed to the pursuit of proper governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function, and its activities will be undertaken with openness and transparency, honesty, integrity and accountability

2. Treasury Management

- Treasury Management is defined as "The management of the College's cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities, and the pursuit of optimum performance consistent with those risks"

- A comprehensive Treasury Management Policy is essential to ensure financial stability, effective resource management, and compliance with regulations. It should be reviewed regularly to adapt to changes in financial markets, legislation, and the institution's financial position

- Treasury Management covers the following key areas:
  - Cash-flow Management - Managing day-to-day cash balances at the bank, investing surplus funds as required and cash flow forecasting and management
  - Investing Cash Deposits - The investment of surplus funds in short-term cash deposits to maximise investment income
  - Borrowing - This requires compliance with the College regulatory framework (Colleges Financial Handbook). Para.4 refers
  - Leasing - This requires compliance with the College regulatory framework (Colleges Financial Handbook). Para. 5 refers

- Treasury Management should be operated in relation to:
  - The College's Strategic Plan
  - The Revenue Budget and Capital Programme
  - The Estates Strategy
  - Working capital management, including debt collection and policy on creditor payments, including payroll
  - Cash-flow Forecasts

3. Treasury Management Practices (TMPs)

The Chartered Institute of Public Finance Accountants (CIPFA) recommends that an organisation's Treasury Management Practices (TMPs) include those that are relevant to its treasury management powers and the scope of its treasury management activities:

3.1 Risk Management

- The Executive Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof to the Finance Committee, and will report to the Finance Committee, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the College's objectives in this respect

- The operational arrangements, which seek to ensure compliance with the College's Treasury Management objectives and mitigation of the following risks, are set out in *Appendix A*:
  - Liquidity Risk
  - Covenant Breach Risk
  - Interest Rate Risk
  - Inflation Risk
  - Legal and Regulatory Risk
  - Fraud, Error and Corruption Risk
  - Exchange Rate
  - Credit and Counterparty Risk

- A separate Risk Assessment matrix, evaluating the likelihood and Impact of each risk, will be held by the College, updated quarterly and presented to the Finance Committee

3.2 Cash and Cash-flow Management

- Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the College will be under the control of the Executive Director of Finance and will be aggregated for cash flow and investment management purposes

- Cash flow projections will be prepared on a regular and timely basis, and the Executive Director of Finance and will ensure that these are adequate for the purposes of monitoring liquidity risk and financial accountability

- The College will ensure a "separation of duties"[1] system is in operation for:
  - All payments for goods and services
  - The transfer of funds between bank accounts

- The College will operate "cashless" payment systems for all of its chargeable services (including catering, trips, students materials, student photocopying, transport)

[1] Processor (responsible for requesting payments/transfers) for approval of payments/transfers)
Approver (responsible for approval of payments/transfers)

- In the event of a significant projected / sudden reduction in cash the Executive Finance Director and/or Finance Manager will alert the Principal, Chair of Governors and Chair of the Finance Committee and agree on an appropriate course of action which could include but is not limited to:
    - Deferral, reduction or cessation of spending on budgets recommended by the Executive Finance Director
    - Under exceptional circumstances, a request for a cash advance from the ESFA

3.3 Best Value and Performance Measurement

- The College is committed to the pursuit of best value in its treasury management activities

- The Full Board of Governors is responsible for the appointment of the College's bankers and other professional financial advisors (such as investment managers) on the recommendation of the Finance Committee

- Short term investment performance is currently measured by comparing the actual interest earned against interest that would have been earned had it been left in the interest-bearing current account

3.4 Decision-making and Analysis

- The College 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

- The College will keep full details relating to any decisions relative to its funding, borrowing and lending and these shall be recommended by the Finance Committee for approval by the Full Board of Governors. All decisions will be minuted accordingly.

- The College's Financial Regulations contain details of its protocols regarding capital projects

3.5 Organisation, Clarity and Segregation of Responsibilities

- The College considers it essential, for the purposes of the effective control and monitoring of treasury management activities, for the reduction of the 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, particularly 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 College's Organisation and Segregation of Responsibilities are set out in *Appendix B*

- If and when the College intends, as a result of lack of resources or other circumstances, to depart from these principles, the Executive Director of Finance will ensure that the reasons are properly reported, and the implications properly considered and evaluated

- The Executive Director of Finance 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 Executive Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds

3.6 Reporting Requirements and Management Information Arrangements

- The College will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; on the performance of the treasury management function

- The Executive Director of Finance will provide an annual report to the Finance Committee setting out details of the:
  - Performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management practices
  - Performance of any external service providers
  - Strategy and plan to be pursued in the coming year

3.7 Accounting and Audit Arrangements

- The College will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices

3.8 Money Laundering

- The College 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

- Please see the College's Anti Money-Laundering Policy (to be written)

3.9 Staff Training and Qualifications

- The College 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

4. Borrowing

- The College's Financial Handbook (para. 5.38) requires that Colleges **must** obtain ESFA's prior approval, regardless of the interest rate chargeable, for:
  - New borrowing from the private sector
  - Amendments to existing private sector borrowing

- Such borrowing will only be approved in exceptional circumstances (para 5.39). Borrowing which increases private sector interest costs is unlikely to be approved, as private sector lenders face higher financing costs than government which would be passed on to lenders

- Private sector borrowing refers to any borrowing from commercial lenders and also loans from local authorities or any non-public sector organisations (para. 5.40). Existing and future lending from the DfE to colleges is excluded

- Credit cards **must** only be used for business expenditure, and balances cleared before interest accrues

5. Leasing

The College's Financial Handbook (para. 5.36) states that Colleges do not require DfE's prior approval for entering into either finance or operating leases, though colleges **must** ensure any lease maintains the principles of regularity, propriety and value for money. To ensure value-for-money is achieved, an option appraisal of "lease versus buy" will be undertaken showing the life-cycle cost and impact upon cashflow

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- The College may consider sources of lease finance for small funding requirements (e.g. IT and other equipment replacement upgrade programmes), although it is generally accepted that this is more expensive than conventional debt finance. In practice such borrowing would only be necessary where cash reserves were insufficient to cover the purchase cost or where the proposal from the leasing company would cost less than the returns being made from college investments

Appendix A: Treasury Management Risks

a) 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 College's business objectives will be thereby compromised

- The College 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 which are necessary for the achievement of its business objectives:
  - Cash-flow forecasts are prepared on a weekly and monthly basis and bank reconciliations on a monthly basis. The figures used for the calculation of daily cash transactions will be those supplied by Barclays Bank (via Barclays i-Portal) and Allica Bank
  - The College's policy is to pay creditors 30 days after receipt of goods or services. In some instances, this may be varied e.g. where:
    - Staged payments have been agreed (and the overall payment terms are periodically reviewed to ensure that they adhere to both best practice as well as efficient cash management operation)
    - Suppliers require settlement within 14 days
  - The College is committed to collecting monies due in a prompt and efficient way. Invoices are generally due within 30 days of the invoice date. Wherever possible, the College will aim to secure payments in advance for commercial lettings
  - The College does not have, and has no current need for, a formal overdraft facility with its main bankers Barclays Bank

- The authority to transfer funds to and from the College's funds/accounts are set out in the table below:

Role	Transfer	Value £000	Timescale
Executive Finance Director & Finance Manager	Between the College's Current A/c's and Instant Access Savings A/c to maximise interest earnings whilst managing cashflow requirements	No limit	No limit
Finance Committee	Between the College's Current A/c's and/or Instant Access Savings A/c and any Long-term Savings Investments	Up to £100k	Up to 3 months
Board of Governors	Between the College's Current A/c's and/or Instant Access Savings A/c and any Long-term Savings Investments	Over £100k	Over 3 months

- Funds available to the College are listed in *Appendix C*

b) Covenant Breach Risk

- The risk that the College fails to meet terms set by lenders (i.e. the annual EBITDA is 1.3 x the annual financing cost of the loan) resulting in:
  - Withdrawal of credit facilities
  - Reclassification of the loan as a "Current Liability" which would be significantly detrimental the College's financial health rating

- The College will monitor its loan and facility covenant compliance on an ongoing basis appropriate to the risk. The Executive Director of Finance will provide regular updates to the Finance Committee and Board of Governors as part of a Treasury Management Report, and will keep the ESFA, auditors and bank lender informed on the covenant status

c) Interest Rate Risk

- The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the College's finances, against which the College has failed to protect itself adequately

  The College will manage its exposure to fluctuations in interest rates by ensuring it evaluates the financial magnitude of a range of "interest rate scenarios" and ensures it has sufficient cash reserves to absorb any potential additional costs, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. The impact will be considered as part of the annual budget calculation and monitored throughout the financial year

d) Inflation Risk

- The risk that the College experiences a reduction in the real value of its monetary assets due to increases in the general level of prices for goods and services it consumes on a regular basis

  The Executive Director of Finance will monitor the potential impact of inflation and will:
  - *Update cashflow forecasts where significant cost deviations from budget are identified*
  - *Report annually to the Finance Committee on the likely impact of inflation and any mitigation strategies that have been followed. The impact will be considered as part of the annual budget calculation*

e) Legal and Regulatory Risk

- The risk that the College 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 College suffers losses accordingly

  The College will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements

f) Fraud, Error, Money Laundering and Corruption Risk

- The risk that the College fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, money laundering, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends

  The College will ensure that it has identified any such circumstances and has taken the appropriate action, including:
  - *The provision of appropriate and adequate internal controls and insurance cover which will be reviewed on a regular basis as part of the internal audit plan*
  - *Staff that have responsibility for financial administration (Executive Finance Director, Finance Team, procurement card-holders) will undertake Fraud Awareness Training*
  - *Due diligence checks will be undertaken on new suppliers or counterparties*

g) Exchange Rate Risk

- The risk that fluctuations in exchange rates in non-Sterling investments affect the rate of return

  It is the policy of the College to avoid exchange-rate risk. Therefore, no other investments may be made that are denominated in currencies other than Sterling

h) Credit and Counterparty Risk

- The risk of failure by a counterparty to meet its contractual obligations to the College 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 College's capital or current (revenue) resources

The Full Board of Governors is responsible for the appointment of the College's bankers and other professional financial advisors (such as investment managers) on the recommendation of the Finance Committee. The appointment shall be for a specified period after which consideration shall be given by the Finance Committee to competitively tender the service

As part of its investment strategy, the College will assess companies to ensure they are not in conflict with its own values, ethics or objectives

The College 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 D. The Executive Director of Finance will review the Counterparty list on an ongoing basis and 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 The Finance Committee will review the Counterparty list at least annually

All counterparties must have a minimum short-term rating of:
- *F1 from Fitch*
- *A1 from Standard & Poor's*
- *P1 from Moody's*

Appendix B: Organisation and Segregation of Responsibilities

Board of Governors

- Approve the College's Treasury Management Policy on the recommendation of the Finance Committee
- Receive and review reports on treasury management policies, practices and activities, as appropriate
- Approve recommendations to amend current banking institutions or alternative investment of funds

Finance Committee

- Consider amendments to the College's Treasury Management Policy and practices and make recommendations to the Board of Governors
- Recommend the College's borrowing strategy to the Board of Governors
- Review borrowing requirements and approve borrowing facilities in accordance with ESFA regulations as set out in the College's Financial Handbook
- Receive and review the Annual Treasury Management report and any interim reports as deemed necessary

Executive Director of Finance

- Recommend the Treasury Management Policy and practices for approval
- Regularly review and monitor compliance with the Treasury Management Policy
- Receive and review management information reports and to provide a Treasury Management Report, at least annually, to the Finance Committee
    - Commentary on treasury operations for the year
    - Cash flow compared with budget and commentary on variances
    - Financial strategy for the next financial year
    - Matters in respect of which the treasury management policy statement has not been complied with
    - Analysis of currently outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover period
- Review the performance of the treasury management function and promote best value reviews
- Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Recommend the appointment of external service/investment providers
- Approve the deposit of surplus funds with counterparties, other than overnight with the College's main bankers
- Ensure revolving credit facilities are operated within the limits agreed by the Finance Committee
- Prepare and maintain systems documentation relating to the treasury function
- Liaise with internal and external auditors on compliance with the Treasury Management Policy and the effectiveness of treasury management within the College
- Manage treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Supervise treasury management staff
- Approve transactions requested by the Finance Manager

Finance Manager

- Monitor cash flows on a daily basis
- Execute transactions for approval by the Executive Director of Finance
- Adhere to agreed policies and practices on a day-to-day basis
- Maintain relationships with third parties and external service providers
- Submit management information reports to the Executive Director of Finance as required
- Provide cover for the Executive Director of Finance on treasury management activities
- Identify and recommend opportunities for improved practices

Appendix C: College Funds

- The College maintains an effective cash and cash-flow forecasting and monitoring system which identifies the extent to which the College is exposed to the effects of potential cash flow variations and shortfalls on a daily basis

- The College currently operates the following banking facilities:

Organisation	A/c Type	Financial Limits	Notes
Barclays plc	Main (Current)	None	Non-interest earning Instant access
Barclays plc	Catering (Current)	None	Non-interest earning Instant access
Allica	Business Savings	None	Interest earning Instant access
Allica	Business Loan Variable	As per Loan Agreement	Interest payable @ 4.95% above Base Rate Matures Dec 2034

- Any proposals to amend these arrangements, for the purposes of changing banking institutions or investing funds elsewhere, will require a recommendation from the Executive Director of Finance to the Finance Committee for consideration. If supported, the Finance Committee will make appropriate recommendations to the Board of Governors for approval and the Executive Director of Finance will enact these decisions at the agreed date

Appendix D: Permitted Instruments, Methods and Techniques

- The College will only invest funds:
  - In the bodies detailed in Appendix C
  - In fixed-term deposits with UK clearing banks which are considered to be approved counterparties since all are regulated by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). Any counterparty should also be a member of the Financial Service Compensation (FSCS)
  - For a period no longer than 12 months
  - In UK Government bonds
  - That support sustainability and social value responsibilities, which align with the College's Catholic ethos

- Investments in the following are strictly prohibited:
  - Speculative cash investments that hold the expectation of a significant gain or other major value but have a substantial risk of losing value
  - Bitcoin investments
  - Companies with poor environmental, social, or governance (ESG) practices