Wakefield College

Treasury Management Policy

Review Cycle:	**Every three years**
Next Review Date:	**November 2022**
Person Responsible:	**Executive Director: Finance & Resources**
Approving Body:	**Board of Governors**

1 Introduction

1.1 This policy regulates the treasury management activities of the College.

1.2 The policy is informed by the Code of Practice for Treasury Management in the Public Services (Chartered Institute of Public Finance Accountants).

2 Approved Activities of the Treasury Function

2.1 The College has adopted the CIPFA definition of treasury management activities:

‘The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with these risks’.

2.2 The Corporation approves the College borrowing and investment strategy, including all loan agreements.

2.3 The Executive Director: Finance & Resources is responsible for the implementation of loan agreements, including drawdown of finance, arranging fixed charges and compliance with covenants.

2.4 The Head of Finance is responsible for the day to day management and investment of cash balances within the parameters set out by this policy.

3 Formulation of Treasury Management Policy

3.1 There are five key drivers underpinning this policy:

- Compliance with statute, regulation and best practice.
- Security of financial assets.
- Provision of adequate liquidity to meet financial obligations.
- Ensuring adequate funding to support the College’s capital plans.
- Effectiveness and efficiency in the use of financial resources.

3.2 The combination of these principles is weighted towards minimising risk, preserving asset values and liquidity levels while minimising costs.

3.3 While this policy outlines the general approach towards treasury management, the annual financial planning cycle will address the strategy to be adopted in order to fulfil the College's strategic objectives.

4 Approved Methods of Raising Capital Finance

4.1 The primary means of raising finance are :

- Long term loan
- Short term loan
- Lease finance
- Bank overdraft

4.2 In general, the College will obtain its long-term financing from long term commercial borrowing since this is available from a highly regulated and mature funding market where there is some element of competition from lenders who are active in the FE sector.

4.3 Short term loans and overdraft finance may be used where this provides cheaper or more flexible funding.

4.4 The quantum of overall debt will be determined by the College's ability to meet total debt charges. The College Financial Plan which is approved on an annual basis by Governors (particularly the Cash Flow Statement) will reflect this requirement.

5 Approved Sources of Finance

5.1 The College will look to established banks and building societies active in the education funding market for its long-term credit facilities.

5.2 There may be opportunities through partnerships that the College develops to access loan capital from other sources. Such opportunities will be assessed on an individual basis and must represent value for money and not risk damaging the reputation of the College.

5.3 In addition, the College may consider sources of lease finance for small funding requirements (e.g. IT and other equipment replacement upgrade programmes) where this represents value for money.

6 Approved Financial Counterparties

6.1 Building and other capital project requirements will generally mean that the level of surplus cash will fluctuate particularly during periods of construction and over the summer (when accommodation remodelling and IT and other equipment procurement typically takes place).

6.2 The College will take a conservative approach to capital risk management seeking the best return at the lowest possible risk. The rating of all potential investment vehicles will be analysed before they are used, so that only the most secure are employed.

6.3 The rating of all banks used by the College will be reviewed regularly.

6.4 Investments, other than those placed with the College's own bankers shall be with banks or building societies with Fitch ratings of:

- F1, or higher, for short term deposits (1 - 3 months); or
- A or higher for longer term deposits.

6.5 The College will only invest surplus funds within the following constraints:

- With UK based institutions.
- Deposits no longer than 18 months.
- A maximum limit of £1.5m with any one group of banks, except if the investment is with the College bankers, currently Lloyds.

6.6 Lloyds, the Corporation's principal clearing bank currently has a short-term rating of 'F1', and a long term rating of 'A+' (ratings as at March 2019).

6.7 For day-to-day operational reasons, the Corporation's principal clearing bank is not subject to the above restrictions in terms of cash held in its main account. However, accounts should not be over-funded for an extended period of time and efforts should be made to spread funds across all suitable appropriate investment facilities.

7 Types of Financial Instruments

7.1 A key risk is 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.

7.2 Prior to entering into any loan arrangement, the College may explore measures to protect its position and to mitigate the impact of potential interest rate fluctuations.

7.3 It is intended that any such measures will be entered into using the current lenders and that such instruments will be embedded within existing loan agreements and subject to Governor approval and the obtaining of external advice where appropriate.

8 Use of External Intermediaries

8.1 The College will not use brokers or fund managers since the majority of its cash deposits are relatively small and short term. The College may use a financial advisor if the use of a Financial Instrument (see Section 7) is contemplated.

9 Internal Delegation of Authority

9.1 This will be in accordance with the Financial Memorandum and the College's Financial Regulations but will include:

Activity	*Endorsement/Approval*
New Loans	The Corporation
Finance Leases	The Corporation
Charging of Properties	The Corporation
College Treasury Policy	The Corporation
Interest Hedging	The Corporation
Use of overdraft facility	The Corporation

10 Liquidity Policy

10.1 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 to it which are necessary for the achievement of its business/service objectives.

10.2 Surplus cash balances are invested in interest bearing bank accounts or on the money market to maximise income for the College.

10.3 The Finance Department will be responsible for the regular reporting of debtors and creditors.

10.4 A debt collection agency may be used for individual debtors in accordance with procedures agreed by the Executive Director: Finance & Resources.

10.5 Creditors will be settled in accordance with invoice terms, except where the amounts are in dispute. Where specific terms are not given settlement should normally be made within one month. Payment performance will be reported in the College Financial Statements in accordance with the requirements of the Statement of Recommended Practice (SORP) for the Sector.

11 Risk Management

11.1 The Treasury Management Policy is to be consistent with the College Risk Management Policy and Strategy.

12 Policy Review and Reporting

12.1 The policy will be reviewed every three years. Governors will receive an annual review of treasury management activity and each financial report will incorporate a report of forecast cash balances.

13 Banking Services

13.1 The College currently makes use of the banking facilities provided by Lloyds plc. The College will from time to time re-tender for the provision of day to day banking services.