St Francis Xavier 6th Form College

Treasury Management Policy

This document sets out the College policy concerning the management of liquid resources, including the investing and borrowing of cash and other financial instruments.

This policy is due for review annually by the Principal and Head of Finance.

This policy is subject to annual review and re-approval by the Finance and Resources Committee.

1. Introduction and Definitions

1.1 The treasury management function 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.

1.2 All executive decisions on borrowing, investing or financing have been delegated to the Principal as designated Accounting Officer and Head of Finance.

1.3 Authorisation of transactions involving movements of College funds will be subject to the rules of the College's bank mandate.

1.4 The drawdown of funds under loan facilities agreed by the College will be governed by the specific approval processes set out in the facility agreement with the lender.

1.5 For the purposes of this policy, 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 the risks associated with those activities; and the pursuit of optimum performance consistent with those risks" (Source: CIFPA Code of Practice for Treasury Management in the Public Services, 2002)

2. Treasury Management Strategy

2.1 The Board of Governors delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Finance and Resources Committee, and for the execution and administration of treasury management decisions to the Principal and Head of Finance.

2.2 It is the responsibility of the Principal and Head of Finance to ensure that the College's strategy for treasury management is consistent with the College's operational plans and budget, capital plans and other strategies

2.3 The primary aim is to ensure that any surplus funds are invested in such a way, subject to the constraints of this policy, to maximise the returns to the College, while ensuring above all else that the need to protect the capital sum is met.

3. Approved Methods of Raising Capital Finance

3.1 Any consideration to raising capital finance through borrowing must be the subject of a detailed investment appraisal. This must be ratified by the Board or Governors on the recommendation of the Finance and Resources Committee prior to any commitments being entered into.

3.2 The Board of Governors may approve unsecured borrowing of up to a maximum of 5% of the College's total annual income[1].

3.3 The Board of Governors may approve secured borrowing of up to a cumulative maximum of 5% of the College's total annual income[2] in order to finance the construction, refurbishment or purchase of land and buildings provided that only the land and buildings so purchased or constructed are offered as security

3.4 Leasing or hire purchase of assets should only be entered into if in the view of the Principal and Head of Finance that this represents the best value for money for the College.

3.5 Subject to the constraints above, there is no restriction as to approved sources of Finance, apart from the fact that any expenditure will still be bound by the terms of the College's Contracts and Tendering Policy.

4. Approved Methods and Organisations for Investment

4.1 Security of the College's funds is the highest priority. Approved investment instruments and categories of approved institutions are set out below:

4.2 Approved Instruments

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[1] Defined in the Financial Memorandum as turnover from the most recent audited accounts less any release of capital grant included in the turnover figure.
[2] See note 1

The College may use the following investment instruments, invested with its main clearing bankers:

- Taking into account the credit ratings noted below for approved institutions

- Cash deposits denominated in sterling

If the College retains external fund managers, the following instruments may also be used:

- Sterling certificates of deposit
- Treasury bills
- Local authority bills
- Gilts

4.3 Approved Institutions

- Investments made by the College through the use of external fund managers may only be made with those institutions that achieve credit ratings greater than or equal to those listed below with the three main rating agencies:

	Long Term	**Short Term**
Fitch Corporate	AA-	F1
Moody's	Aa3	P-1
Standard and Poor's	AA-	A-1

- It is the responsibility of the Principal and Head of Finance to ensure that up-to-date credit ratings are obtained for each institution with which the College has money invested on a monthly basis, and prior to each new investment decision.
- If the credit rating of any institution with which the College has an investment should fall below the required minimum set out above, all investments held with that institution should, after consideration, be liquidated if negotiable, or not renewed at maturity unless prior authorisation of the Finance and Resources has been obtained to maintain existing investments.

4.4 *Investment Limits*

- For investments made directly by the College there is no limit to the value of investments held.
- For all investments made on the College's behalf by external fund managers, the following investment limits will apply:
    - The limit for any one institution will be restricted to £1,000,000 or 50% of the College's total deposits whichever is the smaller.
    - No more than 25% of the College's total deposits are to be invested in instruments other than cash deposits
- All investments are subject to formal review by the Principal and Head of Finance at intervals of not more than three months.
- No investment may be placed with a maturity date in excess of 12 months without the express authority of the Finance and Resources Committee.

5. Exchange Rate Risk

5.1 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.

6. External Fund Managers

6.1 The College may appoint external fund managers to provide advice on, and the management of some or all of the College's cash balances. Such external fund managers may not be given discretion in the management of balances under their influence.

6.2 Any appointment of external fund managers will be subject to the provisions of the College's Contracts and Tendering Policy. Any panel appointed to consider tenders must include at least one member of the Finance and Resources Committee which reports its recommendation to the Finance and Resources Committee.

6.3 Any recommendations on the appointment of external fund managers are subject to approval by the Board of Governors on the recommendation of the Finance and Resources Committee.

6.4 Any external fund managers appointed by the College will be bound by the constraints of this Treasury Management Policy.

7. Reporting Arrangements

7.1 It is the responsibility of the Principal and Head of Finance to ensure that a report on Treasury Monitoring Report is presented to the Finance and Resources Committee at each meeting, unless all treasury transactions for the preceding financial period has been made solely with the College's main clearing bank.

7.2 The annual report will comprise a statement of the previous year's treasury management activities and set out the proposed strategies for the coming year. This will be presented to the Finance and Resources Committee in September.