



Group Treasury Management Policy

Date approved: 10 June 2014
Approved by: Corporation
Review date: February 2017
Responsible Manager: Mark Russell
Group Executive Lead: Alison Currie
Accessible to Clients/Students: No

1. Consultation

Consultation undertaken with:-

- Newcastle College Yes
- West Lancashire College Yes
- Newcastle Sixth Form College Yes
- Intraining Group Ltd Yes
- Rathbone Yes
- Group Services Yes

2. Applicability of Policy to Organisation

This policy applies to:-

- Newcastle College Yes
- West Lancashire College Yes
- Newcastle Sixth Form College Yes
- Intraining Group Ltd Yes
- Rathbone Yes
- Group Services Yes

3. Scope and Purpose of Policy

Responsibility

The Corporation is responsible for determining treasury policy and has delegated responsibility for monitoring and review to the Audit Committee.

Risk

The group is risk averse in all policies concerning Treasury Management.

Liquidity

The group aims to meet all financial liabilities as they fall due.

Security

The group aims to achieve a high level of financial security and to ensure that all financial assets are safe from loss or diminution.

Compliance

The group must comply with the law and SFA directives in relation to its Treasury Management operations. Treasury and money market activities are

regulated by statute, codes of practice, market etiquette and internal procedures. The group will comply with these regulations and conventions in relation to its Treasury Management activities and demonstrate best professional standards at all times.

4. Policy Statement

A. Treasury Management Policy

A1 Cash flow forecasting will be used to determine the Group's financial position at all times.

A2 Surplus funds will be invested with Banks which are rated a minimum of A for long term by Standard and Poors Investors Service.

A3 The Group will endeavour to invest surplus funds with multiple counterparties to reduce the risk involved with loaning significant funds to one party. These decisions will be balanced by the financial advantage of investing larger sums at one time.

A4 There shall be strict procedures in place for Cash Management and Investment Activities.

A5 Capital Finance:

- ◆ The Director of Finance, in conjunction with the Corporation, undertake on its behalf the borrowing of the Group.
- ◆ The Director of Finance cannot commit the Group to any borrowing without obtaining the specific approval of the Corporation.

B. Procedures for Cash Management

B1.0 Overview

1.1 The objectives of Cash Management are to:-

- Maximise returns to the Group while meeting the overriding need to protect the capital sum
- Maintain maximum liquidity
- Enable surplus funds to be invested
- Enable any loans to be taken out in a timely and cost effective way

1.2 Cash budgets will be prepared by a designated member of Group Finance.

Information regarding significant receipts and payments is filtered in from all sections of Finance to help produce a complete and accurate cash flow forecast.

1.3 The Management Accountant will produce cash flow forecasts from the cash budgets for investment and borrowing purposes.

1.4 The Corporation will receive an up to date Cash Report for the current financial year, as part of the monthly reporting pack.

B2.0 Cash Budgets

2.1 As part of the annual budget process a 12 month cash budget will be produced by entity. These will form the basis of cash flow forecasts which will be used to make borrowing and investment decisions.

2.2 Cash budgets will be prepared in conjunction with the following managers:

- Director of Finance
- Group Accountants
- Finance Managers
- Estates Director
- Human Resources Director
- Business Development Manager
- Accounts Payable Supervisor
- Credit Controller

2.3 The final forecast will be the original budget amended after discussion with the relevant managers to take account of variations in timing or amount on all areas of receipts and payments. It will be especially important to note updates of the capital programme payments schedules, incidence of pay award payments and changes in the pattern of regular payments.

2.4 Individual managers will immediately inform the Management Accountant of unanticipated expenditure or income arising out of their area of work.

2.5 The Chief Executive and Director of Finance will receive a monthly report detailing performance against budget and any areas of concern, weakness or failure.

B3.0 Cash Flow Forecasts

- 3.1 Group Finance ensures daily management of the cash position, with daily anticipated cash flows produced on a rolling monthly basis.
- 3.2 Forecasts also produced monthly on a rolling 12 month basis, with long term cash flows forecast on an annual basis thereafter.
- 3.3 Long terms plans are updated on a quarterly basis.
- 3.4 Each week an actual cash available figure will be reported to the Group Financial Controller.
- 3.5 Where it appears there may be a shortage of cash (i.e. an overdraft will result from the daily transactions) the Group Director of Finance & Estates must be informed immediately.
- 3.6 The results of the actual cash calculation should be compared with the cash flows and variations greater than £100k explained in the monthly reporting pack.
- 3.7 Where a timing difference, error or omission has occurred, future cash budgets should be amended.
- 3.8 The daily and monthly cash flow forecasts will be used for investment and borrowing decisions.
- 3.9 At the end of each month the cash flow forecast for the month must be reconciled with bank statements to become an actual cash flow statement.

The actual figures for the month will be inserted in the cash budget and, if necessary, the monthly cash flow forecast will be amended.

C. Investment Procedures

C1.0 Overview

1.1 Institutions approved as appropriate for the investment of temporary cash surpluses will be limited to banks which are rated a minimum of A for long term by Standard and Poors Investors Service, and Newcastle Building Society with which the Group has had a long history of investments.

An annual check will be carried out for each of these institutions to ensure that a suitable Equal Opportunities Policy is in place.

1.2 Cash management procedures will identify the value of surplus funds available for investment as well as the length of time over which surplus funds are available for investment.

1.3 All investments must be properly authorised and recorded.

C2.0 Procedures

2.1 The decision on the value of cash to be invested is made by analysing the cash flow forecast and the outstanding bank transactions list.

The decision on the length of time (term) over which the money is to be invested is to be taken after noting future calls on funds from the cash flow forecast over the next week/month, three months and six months and after noting the market trends. The majority of funds will not be invested for longer than six months.

The Group Accountant and the Management Accountant are authorised to give instructions to the counterparties and recommend the most beneficial investment product to use.

2.2 An Investment Authorisation form must be completed for each investment transaction, see appendix 1.

This form must be authorised immediately by a Finance Manager, then sent to the Group Director of Finance & Estates (or another senior post holder in the Directors absence in the) for review and authorisation.

Where an investment involves a CHAPS transfer, authorisation for the transfer will be required prior to movement of funds.

2.3 The Investment Authorisation form, once signed, must be filed awaiting the counter-party acknowledgement.

When the counter-party acknowledgement has been received all details - rate, amount of interest due on maturity, value invested, repayment date, must be checked to ensure details are correct.

2.4 The Management Accountant will maintain the Cash Summary spreadsheet each time a change in investments is made and at each period end. This form will record the following information for each investment

- Date of investment Immediate update
- Value Immediate update
- Institution Immediate update
- Interest rate agreed Immediate update
- Time period of investment Immediate update
- Date due to be repaid Immediate update
- Interest expected Immediate update
- Interest earned Update on repayment

C3.0 Markets

3.1 The money market is extremely volatile. In order to smooth out this volatility every effort should be made to finalise investments before 11.00am each day.

C4.0 Key Principles

4.1 Only place money with approved counter-parties.

4.2 Maintain a dialogue with banks and brokers.

4.3 Obtain as much information as possible about financial markets and check rates with multiple parties.

4.4 Only invest cash which is definitely available to the Group (i.e. cleared funds).

4.5 Adhere to the risk adverse strategy. These are public funds.

4.6 Do not invest more than £5 million with one party. In exceptional circumstances and with the prior approval of the Group Finance Director, investments may be placed to a maximum value of £10 million with one party.

4.7 Consider dealing costs (CHAPS transfer etc.) and offset them against marginally better rates than those available from the group bankers.

4.8 All investment decisions must be recorded.

C5.0 Types of Investment

The following types of investment may be made:

- Overnight:** Up to 3.00pm in the afternoon the London market accepts money which is automatically repaid the following day. The rate of interest is dependent on market conditions.
- Call money:** Money placed on a day-to-day basis, an investor may call it back any day before noon and interest paid over the period is more stable than the fluctuating overnight rates.
- Notice money:** A more rigid variation of call money usually confirmed to 2 to 7 days notice. The money is placed without any specific call date but the lender may call or re-negotiate a new rate provided a 2 or 7 day notice is given.
- Certificate of Deposit (CD):** A Certificate of Deposit is a negotiable instrument issued by the bank in recognition of a fixed term, fixed rate deposit made to a bank. By agreeing to fix the term of their deposit the customer achieves a competitive market interest rate. However, should they require premature access to their money, they can sell the CD in the market, thereby giving the right to the deposit to another body.
- A CD can be for any amount from £100,000 upwards and can be for any period from 1 month to 5 years. For CD's for 1 year or less, interest is paid at maturity or, if sold prematurely, the accrued interest is incorporated into the sum then received.
- Fixed Term Deposit** Deposits placed through the money market and lent to counter-parties. The loans made are for a fixed period (e.g. 1 week, 3 months etc.) and cannot be redeemed early or have their rate changed.

D. Loan Procedure

D1.0 Repayments

- 1.1 The Group must ensure that repayments are made in accordance with loan schedules.
- 1.2 Repayments of capital and interest are incorporated into the Group cash flow forecast and monitored monthly.

D2.0 Covenants

- 2.1 The Management Accountant will maintain a schedule of loan covenants as stated within individual loan agreements.

Monthly calculations will be performed to ensure compliance with the covenants terms and conditions.

- 2.2 Any potential breaches identified from monitoring will immediately be reported to the Director of Finance.

If a covenant is breached the Management Accountant will immediately inform the Director of Finance who in turn will consult with the lender and inform the Corporation.

A letter will be sent to the lender a minimum of one month prior to the year end to request a waiver. The confirmation letter will be presented with the accounts for audit.

D3.0 Reporting

3.1 Lender Information

In accordance with loan agreements Group audited financial statements will be provided to the lender as soon as they are available within 180 days after the year end.

Quarterly management accounts which include Income and Expenditure Account and Balance Sheet will be provided to lenders within 28 days after the quarter end.

3.2 Board Information

Updates on any significant changes in the schedule of loan covenants will be included as part of the monthly reporting pack.

5. Linked Policies

Financial Regulations

6. Linked Procedures

Not Applicable

7. Equal Opportunities Statement

An Equality Impact Assessment was completed on 24 January 2014.

8. Location and Access to the Policy

The Treasury Management is located as follows:

- Group Intranet

9. Person Responsible for the Policy

Group Accountant, Mark Russell 0191 200 4085

10. Variations to the Policy

There are no variations to this policy.



**Appendix 1
INVESTMENT AUTHORISATION**

DIVISION: _____

DETAILS:

Date: _____/_____/_____

Approved Counterparty _____

Investment Amount £ _____

Transfer from account: _____

Interest Rate _____%

Interest Amount £ _____

Release Amount £ _____

Release account : _____

Term _____mths/days Period Fixed/Call

Date of maturity _____/_____/_____

COUNTERPARTY DETAILS:

Break Available (Fixed only) Yes/No

If yes what is the penalty? _____

Today's S & P Credit Rating _____

Internet checked for adverse publicity (tick box once carried out)

AUTHORISATION:

Invested by _____

Date _____/_____/_____

Finance Manager: _____

Date _____/_____/_____

Executive approval: _____

Date _____/_____/_____