

Treasury Management Policy 2025/2026

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1 Policy Statement

- 1.1 This policy outlines the College's approach to treasury management and documents the roles and responsibilities of the Corporation, the Senior Leadership Team and the other key parties in relation to treasury management. This policy should be read in conjunction with the College's Risk Appetite Strategy document.
- 1.2 This policy document is structured as follows:
- background, definitions and policy objectives
 - investment activities /deposit placements
 - funding activities/borrowing activities.

2 Background

- 2.1 The Corporation approved a set of financial objectives for the College; achieving these objectives will secure the financial viability of the College.
- 2.2 The financial objectives include:
- Maintaining a sound financial base.
 - Minimum cash days in hand of 40 days.

3 Definition

- 3.1 Treasury management is defined in accordance with the CIPFA code of practice as "The management of all money and capital market transactions in connection with cash and funding resources of the College, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks".

4 Policy Objectives

- 4.1 The College's treasury management objectives are:
- To provide a means by which the College can meet its financial commitments.
 - To ensure that sufficient cash sums are available at short notice to meet foreseeable requirements.
 - To earn an acceptable rate of return on surplus funds without undue risk.
 - To spread risk between differing investments and institutions.
 - Manage risks associated with treasury activities in line with the College's Risk Appetite Strategy.
 - Ensure compliance with government treasury guidelines and relevant legislation.
 - To set out the roles and responsibilities of the Principal and CEO, Deputy Chief Executive amongst others as detailed in Appendix 1.

5. Investment Strategy

5.1 Principles

The College's investment strategy prioritises, in order of importance:

- Security: Safeguarding the principal sums invested.
- Liquidity: Ensuring that funds are available when needed.
- Yield: Achieving a reasonable return on investments consistent with the above priorities.

5.2 Approved Investments

- Investments will be limited to approved instruments, such as term deposits, notice accounts, and money market funds that meet the College's criteria.
- Investments will be diversified across a range of counterparties and instruments to minimise risk.

5.3 Ethical Considerations

- The College will consider ethical implications of investments and avoid institutions involved in activities contrary to the College's values.

6 Compliance with Government Guidelines

6.1 Regulatory Framework

The College will ensure compliance with:

- HM Treasury's "Managing Public Money" guidance and the "College Financial Handbook".
- CIPFA Treasury Management in the Public Services Code of Practice.
- Department for Education (DFE) Financial Memorandum and Accounts Direction.
- Relevant Financial Reporting Standards (FRS).

7 Investment Arrangements

7.1 Investment arrangements and approvals will follow the principles outlined in appendix 4.

7.1.1 Investments will only be made with institutions as follows:

- UK clearing banks and their subsidiaries with strong credit ratings.
- Financial institutions regulated by UK authorities.
- Building societies with assets exceeding £1 billion.
- Banks with a minimum Fitch short-term credit rating of F1 and long-term rating of BBB+.

- 7.2 The College may utilise the services of brokers to advice on the investment of surplus funds. It may also utilise treasury platforms that allow access to suitable deposit accounts in line with our investment policy.

8 Organisation

- 8.1 The Principal and Chief Executive and the Corporation are responsible for the overall security and management of funds.
- 8.2 The Director of Finance will control the day-to-day management of the treasury function. The Deputy Chief Executive will liaise with the Principal and Chief Executive, the Corporation and the College's financial advisors in relation to strategy and market conditions.
- 8.3 In absence of Director of Finance, the Head of Finance will assume responsibilities.

9 Investment of Surplus Funds

- 9.1 The College will maintain a minimum reserve in its bank account which is equivalent to 3 months' of pay cost and non-pay cost before any long-term investment decision is undertaken. Funds can be invested in money markets providing immediate access to cash reserves as per the arrangements outlined in appendix 4. Money market deposits range from overnight to up to three months depending on returns. Funds may also be invested on the behalf of the College, in short term maturity bonds, multi-asset class and other investments.

10 Deposits

- 10.1 A cash deposit is a short-term placement attracting interest. Placements can be made for either:
- A fixed period to a specific date, e.g. 3 months to a year, or
 - On notice, either at 2 or 7 days is typical, or
 - Withdrawn on demand by the College
- 10.2 In general fixed deposits will attract higher returns than notice deposits and both attract higher returns than money on call.
- 10.3 The amount of cash the College has to place will vary throughout the year depending on receipt of funding and the incurring of expenditure. To maintain a balanced deposit holding a mixture of deposits will be held as set out in appendix 4.
- 10.4 As detailed in Appendix 4, the Corporation delegates to the Principal and Chief Executive (or Deputy Chief Executive), acting jointly with either the Chair of Finance and Resources Committee or Chair of Corporation, authority to place deposits in the College's name, with approved institutions up to a limit of £5m for terms less than one year.

Amounts between £5m and £10m (for terms of less than one year), will be subject to the approval of the Finance and Resources Committee.

Amounts greater than £10m (for terms of less than one year), must be approved by the Corporation.

- 10.5 The Finance and Resource Committee and the Corporation will be provided with management information to enable decision making in line with the thresholds shown in Appendix 4.

11. Cash Flow Management

- 11.1 Cash flow forecasts will be critical in maximising the amount the College can place on deposit at any one time. The Director of Finance has the responsibility to prepare an outline cash flow forecast for each month, identifying inter alia the following factors which will be incorporated into the College Management Accounts.

The cash flow forecast will identify:

- DFE/GLA recurrent grant/other income
- Income from other sources
- Interest received
- Payroll payments
- Payments to HMRC
- Operational payments for non-pay expenditure
- Payments for capital projects
- Investments made

The cash flow forecast shows the balances brought forward and carried forward, together with the total amount placed.

12 Borrowing

- 12.1 Borrowing powers of the college has changed since the Office for National Statistics (ONS) reclassified Colleges as part of the Public Sector. Colleges are now required to obtain consent of the Department for Education (DfE) for any new borrowing. Managing Public Money (MPM) sets out the requirements for the process of approval and compliance with this process is compulsory. The College will continue to ensure that its existing policy on borrowing (set out below) is considered prior to any submission for DfE approval of new borrowing.

- 12.1.1 All Treasury management activities involve risk and potential reward.
The policy of the College on borrowing is to minimise cost whilst

maintaining the stability of the College's financial position by sound debt management techniques.

- 12.1.2 The objective for borrowing purposes is to finance the net requirement for funds on the most advantageous terms. The level and nature of borrowing will be determined by the College's Financial Plan.

12.2 Borrowing strategy

- 12.2.1 The Deputy Chief Executive will prepare for the approval of Finance & Resources Committee an annual forecast of loan repayment requirements for the coming financial year as part of the Financial Plan.

- 12.2.2 In preparing the strategy the Deputy Chief Executive will have regard to:

- (a) Complying with the College's Risk Appetite Strategy
- (b) Ensure the College financial position remains stable. He or she will ensure that the College has appropriate facilities available to meet its capital and interest repayments; for funding needs arising from uncertainties inherent in the planning process and from the timing and amount of cash flow
- (c) The current level of interest rates and forecasts of future changes in interest rates. He or she will prepare a recommendation for approval by Finance & Resources Committee of any new proposals to raise capital funds and the impact of forecast interest rates on these proposals. In addition, he or she will indicate the maximum proportion of borrowing, which is subject to variable rates of interest.

12.3 Raising of Funds

- 12.3.1 Any borrowing must have the specific authority of Finance & Resources Committee, and Corporation.
- 12.3.2 Finance & Resources Committee will make recommendations to Corporation based on a report from the Deputy Chief Executive for each proposed borrowing of funds. The report may include the following:

- Borrowing requirements
- Outstanding borrowing
- Financing loan requirements
- Proposed lender
- Proposed sources of finance
- Interest rate structure - fixed, variable, variable with options to fix, index linked, deferred interest
- Interest rate-base plus lender's margin
- Arrangement fees
- Security arrangements – level of security required, value of assets held, maximum levels of assets that should be provided as security
- Purpose (with cash flows)
- Comparisons with alternatives
- Arrangements for draw-down
- Confirmation of approval received from the DfE
- Any other matters which might assist Finance & Resources Committee in considering the proposal

12.4 Legal Issues

12.4.1 Prior to entering into any borrowing or placement transaction it is the responsibility of Deputy Chief Executive to satisfy him or herself by reference (if necessary) to the College's legal advisors that any proposed transaction does not breach any statute, the College's Financial Regulations, the requirements of the Financial Memorandum with the Funding Agencies or any terms and covenants concerning borrowing.

12.4.2 The Deputy Chief Executive reports as and when required to Finance & Resources Committee but, as a minimum, a summary management report will be presented three times per annum. Such report may be included in the College's overall management accounts.

13. Short term borrowing

13.1 The authority for short term borrowing shall be delegated as follow:

- Use of agreed overdraft facility – Deputy Chief Executive after consultation with the Principal and Chief Executive.
- Agreement of overdraft facility up to estimate set in the 3 Year Financial Forecast agreed by the Corporation- Chair.
- Agreement of any overdraft facility over the estimate set in the 3 Year Financial Forecast agreed by the Corporation – Full Corporation.

- 13.2 The use of overdraft facilities to be reported in College Management Accounts and thereby notified to Governors.
- 13.3 The Deputy Chief Executive shall consult as necessary with the DfE and professional external advisors.
- 13.4 The Corporation reserve the powers to:
- Amend the list of approved institutions
 - Give prior approval to any bank or building society deposit with maturity date greater than one year
 - Give approval to any investment product other than bank deposit.

14. Review

- 14.1 The Finance and Resources Committee will review this policy annually.

15. Control and Inspection

- 15.1 In addition to Appendix 2, the Director of Finance will maintain a register of all placements and borrowings held which will record:
- Amount deposited
 - Date deposit was placed
 - Amount returned
 - Interest earned
 - Rate of interest obtained
- 15.2 Internal Controls:
- Electronic confirmations are required for all transactions.
 - Transfers of funds are restricted to approved institutions.
 - Approved users are permitted to action electronic fund transfers.
- 15.3 Reconciliation
- Bank balances and investments are reconciled weekly with accounting records.
 - Discrepancies are investigated promptly.
- 15.4 Audit
- Internal and external audits will review treasury management activities periodically to ensure compliance and effectiveness.

- Audit findings and recommendations will be reported to the Audit and Risk Committee.

16. Monitoring and Performance Management

16.1 Operational Monitoring

The Director of Finance is responsible for the continuous monitoring of treasury activities. This includes:

- **Counterparty Creditworthiness:** Monitoring the credit ratings of approved financial institutions on a regular basis. If a counterparty's credit rating falls below the criteria approved in this policy, no further deposits will be made with that institution, and the Director of Finance, in consultation with the Deputy Chief Executive, will consider recalling existing deposits if appropriate.
- **Compliance with Limits:** ensuring daily that all investment transactions comply with the limits set out in the approval arrangements (appendix 4).
- **Liquidity Checks:** Reviewing cash balances daily against the immediate cash flow requirements to ensure the "minimum cash days in hand" target (FEC target is 40 days) is maintained.

16.2 Performance Monitoring: The performance of the investment portfolio will be monitored against a relevant benchmark (for example, 7-day SONIA) to ensure the College is achieving a competitive yield.

- Variances between actual interest earned and the budgeted interest will be monitored as part of the management accounts process.
- Details of the treasury instruments held on the last working day of the month (for example, deposits, investments, etc).
- Bi-annual appraisal of the Barclays Private Bank investment portfolio.

16.3 The Director of Finance will report immediately to the Deputy Chief Executive in the event of any significant issue, variation or cause for concern relating to treasury management function or activities.

Appendix 1 Statement of Responsibilities

Principal & CEO has overall responsibility

Deputy Chief Executive

1. To prepare and implement the annual treasury management strategy.
2. To report periodically to the Principal and Finance & Resources Committee on treasury management activity.
3. To authorise the investment of surplus cash funds based upon information contained in the cash flow forecasts and interest rate data in accordance with agreed treasury management policy and strategy.

Director of Finance

1. To monitor treasury management activity.
2. To supervise and monitor the cash flow position of the college.
3. To prepare a detailed annual cash flow at the start of the year.

Head of Finance

1. To maintain a treasury management database (currently spreadsheet) ensuring that this is kept up to date and accurately reflects historic and forecast cash balance information.
2. To prepare cash flow reports from the database in accordance with the agreed reporting arrangements.
3. To update treasury management database with actual cash flow details from bank account information on a daily basis.
4. To obtain interest rate information on a regular basis from the College bank and from approved brokers.
5. To transmit funds to the college banker and other approved counterparties in accordance with the agreed procedures for transmission of funds.

Appendix 2 Payment Controls and Fraud Prevention

1. To protect the Corporation's assets, all fund transmissions and payments are subject to the following mandatory controls.

1.1 Segregation of Duties

- A fundamental principle of control is that no single individual can initiate, authorise and make a single payment.
- The responsibility for initiating a payment must be segregated from the responsibility for authorising that payment.

1.2 Payment Authorisation

- The transmission of funds must be via an approved banking platform or process.
- Dual Authorisation: except where the transfer is to the existing banking providers system (for example, BARX), all external electronic payments must be authorised by two separate, approved individuals, as per the existing College payments process.
- The College is permitted to utilise online platforms for transmission of funds to approved counterparties. These platforms must never hold College funds, unless awaiting imminent instruction for funds transfer, and must only be a means of transferring funds to approved banks and building societies (for example, Insignis and Investec platforms).
- All investment return must be transferred to and from an account in the name of the College.

Appendix 3 Reporting Arrangements

Report Title	Report Contents	Report By	Report To	Report Frequency
Weekly Cash Flow Forecast	Projected Cash Balances for next 3 months	Assistant Accountant	Director of Finance /Head of Finance	Weekly
Monthly Cash Flow	Projected Cash Balances for next 12 months (detailed) 3 years (Summary)	Senior Accountant	Director of Finance /Head of Finance	Monthly (1 st working day)
Annual Cash Flow Forecast	Projected Cash Balances for next 3 years	Senior Accountant	Director of Finance /Head of Finance	Annually (July)
Treasury Policy and Strategy	Treasury Policy, Practices and Strategy	Deputy Chief Executive	Finance & Resources Committee	Annually (November)
Treasury Outturn Report	Report of previous year treasury activity	Deputy Chief Executive	Finance & Resources Committee	Annually (November)

Appendix 4 Approval Arrangements

Post Title	Limit of Approval	Length	Deposit Type
Principal / CEO or Deputy CEO in conjunction with either the Chair of Finance and Resources Committee, or Chair of Corporation.	Up to £5m	Less than 1 year	Cash invested with Barclays Bank Money Markets via BARX and other reputable financial institutions for term account deposits, as per section 7.
Finance and Resources Committee	Above £5m to £10m	Less than 1 year	Cash with Barclays Private Bank and other approved financial institutions, as per section 7.
Full Corporation	Above £10m	Greater than 1 year	Cash with Barclays Private Bank and other approved financial institutions, as per section 7.