Greenhead College Corporation

Treasury Management & Reserves Policy

Reviewed June 2025

Policy Holder(s) :	*Principal / Director of Finance and Funding*
Date drafted:	*June 2025*
Date accepted by the Corporation:	*July 2025*
Date Impact Assessed by Policy Holder(s):	
Date of next review:	*June 2028*
To be reviewed by:	*Principal / Director of Finance and Funding*

"This policy has been impact assessed to ensure it complies with all aspects of Diversity and Inclusion. Members are reassured that this policy is compliant with current equality legislation".

Background

1. Introduction

1.1. Treasury Management is defined as: -

- the management of the College's cash flows, banking and investment transactions
- the management of the risks associated with these activities
- the pursuit of optimal returns consistent with those risks

1.2. SORP FRS102 requires a statement from the College on its Reserves Policy to be included in the Year End Financial Statements.

1.2.1. A College can typically allocate unspent funds between three different types in the accounts at the end of the year.

1.2.2. : - Restricted funds - This relates to unspent money from restricted grants. The donor has specified what the money must be spent on and the College normally does not have the power to spend the money on anything else.

1.2.3. Unrestricted funds - This is money that can be spent on anything which furthers the objectives of the College.

1.2.4. Designated funds - If part of an unrestricted fund is ear-marked for a particular project it may be designated as a separate fund. Funds could be designated for a project that the College is saving up for, such as refurbishing its buildings. Designation does not legally restrict the College, it can change its minds, but the initial decision should be a genuine one, not a method for hoarding funds.

1.3. The funds listed above can also be called Reserves.

1.4. The objectives of this policy are to ensure that the College: -

- maintains sufficient cash balances in its current account to meet its day to day commitments.
- keeps the level of reserves under review and can cover any gaps in income.
- is able to meet any banking covenants.
- is able to draw on the reserve in emergencies, to save for future planned expenditure and to take advantage of unexpected opportunities. The College would then seek to rebuild the fund.
- invests surplus cash to earn an acceptable rate of return using a suitable recommended platform.
- surplus cash will only be deposited with an institution that has a minimum of a BBB or above Fitch credit rating. The Financial Services Compensation Scheme is only good for deposits up to £85k so any investment with a Fitch rating of below BBB may be acceptable so long as the exposure is not over £85k.
- considers spreading risk between differing institutions to reduce risk. Where there is exposure due to investments in one bank of over £85k, the Fitch rating must be A.
- complies with the College Financial Handbook and ensures that security of funds takes precedence over revenue maximisation.
- maintain sufficient reserves to mitigate against future risks, whilst not holding unnecessarily high levels of reserves

- is mindful of the DfE governance guide https://www.gov.uk/government/publications/further-education-corporations-and-sixth-form-college-corporations-governance-guide--2/fe-and-sixth-form-college-corporations-governance-guide

1.5. There are several constraints placed upon further education providers in terms of fund management. One of these constraints is the inability to borrow funds. This constraint represents a key risk to the college in relation to financial planning and monitoring. One of the ways in which the college mitigates this risk is through the effective management of reserves, which provide alternative temporary funding streams should there be a delay in grant receipts or a sudden unforeseen increase in expenditure.

2. Responsibility

2.1 The Accounting Officer (Principal) and Governing Body have overall responsibility for the security and management of funds. The day to day management of the treasury function is controlled by the Director of Finance & Funding (DoFF), who will liaise with the Accounting Officer and Governing Body in relation to investment decisions.

3. Cash Flow Forecasts

3.1 The Director of Finance & Funding (DoFF), will prepare and present monthly 12 months rolling cash flows to the Governing Body to identify expected cash balances throughout the year for investment opportunities and to provide early warning of low cash balances.

4. Borrowing

4.1 The College is not permitted to borrow without prior permission of the Secretary of State.

5. Deposits

5.1 The College will operate an interest-bearing current account with a bank approved by the Governing Body and maintain sufficient balances to ensure there are adequate liquid funds to cover all immediate and forthcoming financial commitments, including maintaining a sufficient contingency for unexpected payments.

5.2 Monies surplus to the working requirements shall be invested in low-risk deposit accounts or term deposits in regulated institutions. This will be invested at a rate of £85k a time, no longer than 12 month intervals with banks of a BBB or above Fitch credit rating. The Financial Services Compensation Scheme is only good for deposits up to £85k so any investment with a Fitch rating of below BBB may be acceptable so long as the exposure is not over £85k.

5.3 £85k should be deposited to limit exposure, however, if interest rates and terms are more favourable, £250k can be invested into banks with a Fitch rating of A or above.

5.3 The College will not take out any longer-term deposits until reliable cash flow pattern has been established, monies will only be paid into term deposits not exceeding twelve months.

5.4 The College will only deposit funds with bodies protected by the Financial Services Compensation Scheme.

6. Limits and Authority

6.1 The Governing Body has the power to:

- Give prior approval to the opening of new bank current accounts
- Give prior approval to any bank deposit with a maturity date exceeding twelve months
- Appoint a financial expert to advise on investments, including use of an approve investment platform

6.2 The Governing Body delegates authority to the Director of Finance & Funding (DoFF), to place deposits in the College's name, at approved institutions, subject to the agreed limits within this policy. No deposits will be placed without prior agreement with the Accounting Officer or other signatory subject to the relevant limits.

6.3 Authorised bank signatories of the College are set out in the College's Financial Management Policy.

7. Register of Deposits

7.1 The Director of Finance & Funding (DoFF), will maintain an electronic register of all deposits/investments held which will record:

- Institution with which deposit placed
- Type of deposit
- Date deposit placed
- Amount deposited
- Date of maturity
- Amount returned
- Rate of interest
- Interest earned
- Sustainability considerations

7.2 Only banks with a Fitch's rating of A or above will be used for investment purposes over £85K.

8. Restrictions on Cash Reserves

8.1 The DfE are able to set limits on the sum of reserves that can be carried forward from one year to the next. There are currently no limits in place Greenhead College. This will be continually reviewed by the Director of Finance & Funding (DoFF).

8.2 The DfE does expect further education providers to use their allocated funding for the full benefit of their current pupils. Therefore, Greenhead College will not build up a

substantial surplus without having in place a clear plan for how it will be used to benefit our pupils.

9. Level of Cash Reserves

9.1 The financial risks have been reviewed in terms of impact and likelihood as part of the strategic risk management process. The main financial risk to the College is as follows-

- Mitigating against future real terms funding cuts;
- Mitigating against additional salary and pension costs,
- Mitigating against estates management issues.

9.2 An amount equivalent to 1 month's salary cost (approximately **£1.1m**) will remain as free reserves.

9.3 College will be expected to build future reserves to ensure adequate funds for future developments.

10. Monitoring, evaluation and review

10.1 The Director of Finance & Funding (DoFF) will Update the Governing Body regarding any deposits or investments at each Finance and Estates Committee meeting.

10.2 Periodically (at least every 3 months) the Director of Finance & Funding (DoFF) will review interest rates and compare these with investment opportunities through other institutions using approved online platforms.

10.3 The College's policy for reserves is linked to and forms part of its formal consideration of the College's going concern presumption. An appropriate level of reserves underlies the forecasts and cashflow projections that are used by the Corporation to confirm that the College is a going concern and is able to meet its liabilities as they arise. At the year end, the Treasury Management and Reserves policy, actual reserves held and future forecasts are used to confirm the going concern principle applies for at least 12 months from the date that the statutory accounts are approved by the Corporation.

10.4 The Board of Governors will review this policy annually or whenever there are significant changes in income or operating costs.

11. Environmental Sustainability

11.1 Consideration will be made as to the impact of each banks environmental sustainability before deposits are made, in line with College's sustainability strategy.

11.2 Upon placing a new deposit, narrative must be included on the electronic register to demonstrate that consideration has been made to the bank's environmental impact.

11.3 Deposits will not be made with banks where clear environmental sustainability issues are identified.

12. <u>Linked Policies and documents</u>

12.1. Financial Management Policy
12.2. Management Accounts

12.3. Year-End Financial Statements
12.4. Risk Register
12.5. Strategic Plan