NKC NORTH KENT COLLEGE

Treasury Management Policy and Procedure

Author	Deputy Chief Executive
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Person Responsible	Deputy Chief Executive
Approval/ review bodies	SLT / Corporate Board
Frequency of Review*	36 months

** Policies will be reviewed more frequently if legal changes or good practice require*

Review History:		
Date of review	Reviewed by	Reason for review
October 2018	Deputy Principal Finance and Resources	New Policy
January 2022	Deputy Chief Executive	Update
February 2023	Deputy Chief Executive	Update
July 2023	Deputy Chief Executive	Update

Contents

Related Policies:

Financial Regulations

1. Introduction

This document sets out North Kent College's policy and procedure concerning the investment of surplus monies and forms part of the Financial Regulations of North Kent College ("the College").

2. Procedures

2.1. The College's Corporate Board will set the level of risk to which any investment must be aligned.

2.2. It is the responsibility of the Deputy Chief Executive to maximise investment returns on surplus funds, without risking the College's capital in less safe investments.

2.3. As part of the daily monitoring of the College's bank balances, the Director of Finance will identify where the College may be holding excess funds which are surplus to short-term requirements

2.4. Where there are surplus funds, the Director of Finance will utilise any existing investment facilities and recommend to the Deputy Chief Executive any other such facilities that will look to obtain maximum benefit from the investment.

2.5. Any certificates in relation to the investments will be held in the College's safe at all times and confirmation of deposit transactions will be retained and recorded by the Director of Finance.

2.6. Any material transactions will be reported to the Corporate Board by the Deputy Chief Executive.

3. Approved Activities of the Treasury Function

The College has adopted the Chartered Institute of Public Finance and Accountability ("CIPFA") definition of treasury management activities:

> “The management of the College’s cash flow, 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”.

The Corporate Board approves the College borrowings and investments, including all loan agreements.

The Deputy Chief Executive is responsible for the implementation of loan agreements, including drawdown of finance, arranging fixed charges and compliance with covenants.

The Deputy Chief Executive is responsible for the investment of cash balances within the parameters set out by this Policy.

4. Approved Methods of Raising Capital Finance

The primary means of raising finance are:

4.1. long-term loan;

4.2. short-term loan;

4.3. lease finance; and/or

4.4. bank overdraft

In general, the College will obtain almost all its long term financing from long-term conventional debt, since this is available from a mature funding market at keen margins.

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

The level of overall debt will be determined by the College’s ability to meet total debt charges, with due regard to the interest rate risk referred to in Section 8.

The cash flow forecast contained within the College's Financial Plan will reflect this requirement.

5. Approved Sources of Finance

The College will usually look to established banks and building societies, who are currently active in the education funding market, for its long term facilities. In addition, the College may consider sources of lease finance for small funding requirements (e.g. IT and other equipment replacement upgrade programmes), although it is generally accepted that this is more expensive than conventional debt finance. The College will usually seek to avoid increasing its debt level on low value items.

6. Approved Financial Counterparties

Building and other capital project requirements will generally mean that the level of surplus cash will fluctuate, particularly during major building construction periods. The College will only invest surplus funds within the following constraints:

6.1. With UK based institutions, with a "strong" capacity to meet its commitments, as defined by:

6.1.1. short-term credit ratings of A-2 (Standard and Poors) or F1 (Fitch IBCA) – Less than three months;

6.1.2. long-term credit ratings of BBB+ (Standard and Poors) or A (Fitch IBCA) – Greater than three months;

6.2. Deposits up to £10,000,000, may be invested up to one year; and

6.3. A maximum bank counterparty deposit limit of £10,000,000, except if the investment is with the College bankers, currently Lloyds.

7. Types of Financial Instruments

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.

Apart from the approved types of finance, outlined in section 4 above, the College may, therefore, use interest rate swaps, interest rate collars, interest rate caps and interest rate floors to mitigate the impact of potential interest rate fluctuations (interest hedging). It is intended that such instruments will be entered into using the current lenders and that such instruments will be embedded within existing loan agreements.

8. Use of External Intermediaries

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. Liquidity Policy

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 annual business plan objectives.

Any surplus cash balances are invested in interest bearing bank accounts or on the Money Market to maximise income for the College.

The Deputy Chief Executive will be responsible for the regular reporting of debtors and creditors.

Creditors will be settled in accordance with invoice terms, except where the amounts are in dispute. Where specific terms are not given settlement should be made within one month.

Payment performance will be reported in the College Financial Statements (subject to the requirements of the Statement of Recommended Practice ("SORP") for the Sector).

10. Policy Review and Reporting

Treasury activities will be reported in the monthly Management Accounts, including:

10.1 cash flow forecast; and

10.2 cash days in hand and Key Performance Indicators.

This information will supplement the borrowing ratios included within the Education Skills Funding Agency Financial Performance Indicators.