**Treasury Management Policy**

Version 2.0

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Culture, Learning and Libraries (Midlands)

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| **Treasury Management Policy** | |
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| **Purpose**  The policy provides a clearly defined risk management framework for Inspire and those staff in Inspire responsible for treasury operations. | |
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# **In****troduction**

* 1. To reflect the climate on corporate governance issues, it is both appropriate and necessary to formally set out current treasury activities and establish a treasury risk management environment in which all objectives, policies and operating parameters are clearly defined.
  2. In this context, Treasury management is the efficient management of liquidity and financial risks in Inspire.

# **Purpose**

* 1. This policy provides a clearly defined risk management framework for Inspire and those staff in Inspire responsible for treasury operations. Actions to manage this risk will vary over time and the policy will be reviewed regularly to reflect any changes in Inspire’s operations and the on-going financial climate.
  2. The policy is divided into the following sections:
* Objectives
* Attitude to investment risk
* Organisation and Responsibilities
* Bank Relationships and Cash Management
* Reporting
* Performance Management
* Controls

# **O****bjectives**

* 1. The objectives of the Treasury Management Policy are to:

1. ensure the most competitive return on surplus cash balances within an agreed risk profile
2. ensure the availability of flexible competitively priced financing at all times
3. identify and manage Inspire’s financial risks arising from operational activities
4. ensure compliance with all banking covenants.

# **At****titude to Investment Risk**

* 1. The principal purpose of the treasury function within Inspire is to;

1. maintain liquidity
2. mitigate and manage risk
3. ensure a competitive return within an acceptable risk profile.

Inspire is restricted in relation to the sum of money it can keep in commercial bank accounts. Where this is the case these rules override the competitive return achievable (see paragraph 4.3 below).

As well as generating income in the form of credit interest, a short-term deposit is held for monies not needed in the immediate future.

* 1. **Investment of Surplus Cash -** Inspire has limited options for investing its surplus cash and investment with individual institutions should not exceed the following limits at any time:
* Barclays – average daily cleared cash balance, for Inspire funds only, not expected to exceed £70,000.
* Short-term deposit - Unlimited

No other short term borrowing is permitted.

* 1. **Borrowing -** All investment in Inspire operations will be reviewed by the Finance and Audit Committee and subject to decision by the Board.

The criteria for the borrowing and the rationale for the proposed lender and type of loan will be formally set out to the Board to ensure the transaction meets any perceived risk at the time of the proposed loan.

# **O****rganisation and Responsibilities**

* 1. Responsibilities under the Treasury Management Policy are:
     1. **Board**

1. approve all external funding arrangements including Inspire’s Committed Working Capital Facility and any longer term loans for investment in Inspire operational services.
2. delegate responsibility for approval of treasury procedures, controls and detailed policies to the Finance and Audit Committee.
   * 1. **Finance and Audit Committee**
3. approve the relevant benchmarks for measuring performance
4. review and monitor investment and borrowing performance against agreed benchmarks
5. ensure there are proper and robust safeguards in place for security of Inspire’s monies by:
6. agreeing the list of permitted institutions, investment limits and permitted investment types for investment of cash surpluses
7. ensuring approved bank mandates are in place for all Inspire accounts and that these are updated regularly for any changes in signatories and authority levels
8. monitor compliance with treasury policy and procedures
9. delegate responsibility for day to day treasury operations to Inspire’s Chief Financial Officer.
   * 1. **Chief Financial Officer**
10. approve cash budgets and forecasts
11. approve cash management systems
12. ensure treasury activities are reported appropriately to the Finance and Audit Committee and the Board
13. manage key banking relationships
14. report on a regular basis on the appropriateness of the Treasury Management Policy to the Finance and Audit Committee
15. approve Inspire purchase cards and temporary changes to credit limits, allowable areas of expenditure, individual limits, and barring of services
16. delegate day to day responsibility for treasury management to the Assistant Chief Financial Officer/ Assistant Accountant
    * 1. **Assistant Chief Financial Officer**
17. ensure treasury activities are managed according to the Treasury Management Policy
18. manage day to day banking relationships
19. ensure timely and accurate information is available to support the management of the treasury function
20. ensure:
21. accurate and timely recording in Inspire’s accounting records of all treasury transactions
22. bank reconciliations are carried out weekly by the Banking team and reviewed by the Assistant Chief Financial Officer monthly with exceptional items being reported to the Chief Financial Officer. A summary of items not reconciled, over 90 days old, to be included in the monthly Treasury Report by exception.
23. regular review of the Treasury Management Policy and recommending changes in the policy to the Chief Financial Officer.
24. approve Inspire purchase cards and temporary changes to credit limits, allowable areas of expenditure, individual limits, and barring of services.

# **Ba****nk Relationships and Cash Management**

* 1. The development and maintenance of strong banking relationships is an important and key factor in enabling the Inspire to manage its cash and to enable access to funds for future service expansion.
  2. Key objectives in this area are to:

1. ensure the cost paid for banking services is competitive
2. minimise the cost of borrowing and maximise the return on cash surpluses within acceptable risk parameters
3. to develop and maintain a strong relationship with a bank (or a number of banks)
4. monitor and ensure compliance with banking covenants.
   1. The Chief Financial Officer, with the support of the CEO, is responsible for managing all banking relationships and ensuring a consistency of approach across all banking services to achieve the optimum benefits for Inspire.
   2. Inspire currently has key relationships with one banking institutions.
5. Barclays Bank PLC
   1. These banks provide the following facilities to Inspire:
      1. Barclays:

* Income and expenditure account
* Chaps Receipts and Chaps Payments
* Bacs Receipts
* Payable Orders
* Bacs Payments
* A range of faster payment and international payment options
* Local Banking
* Purchasing cards
  + 1. Barclaycard (in addition to the above):
* Purchasing cards

# **Rep****orting**

* 1. The regular reporting of treasury management is crucial in ensuring all relevant parties:

1. are aware of transactions undertaken
2. can understand Inspire’s cash position
3. can assess the on-going appropriateness of the treasury objective.
   1. To facilitate the requirements set out above Inspire will produce the following reports:

|  |  |  |
| --- | --- | --- |
| Quarterly Movement Report | - | This will include the opening and closing net cash position, the facility available and any amount drawn down, a summary of all borrowings and lending, a review of any banking covenantposition. |
|  | - | Produced by the Banking team |
|  | - | Circulated to the Chief Financial Officer and Assistant Chief Financial Officer for their review |
|  |  |  |
| Quarterly Treasury Report | - | An analysis of cash/borrowing/lendings |
|  | - | Covenant compliance (as applicable) |
|  | - | Liquidity and security of any funding (as applicable) |
|  | - | Commentary on bank relationships and services |
|  | - | Debtor days |
|  | - | Creditor days |
|  | - | Gearing and interest rate cover (and exposure) |
|  | - | A review of cash and working capital movements |
|  | - | A monthly cash forecast for the next two financial years |
|  | - | Performance monitoring criteria reported on by exception |
|  | - | Reviewed by Chief Financial Officer |
|  | - | Circulated to the Inspire Leadership Team and the Finance and Audit Committee |

# **Perfo****rmance Management and Monitoring**

* 1. Performance management is an important part of Inspire’s controlled environment from a corporate governance perspective.
  2. Inspire has in place a performance management framework to provide assurance, and to enable the Finance and Audit Committee to monitor the effectiveness of the Treasury Management Policy.
  3. The Board delegates authority and responsibility to the Finance and Audit Committee in monitoring the effectiveness of the Treasury Management Policy with reporting by exception being provided via the Finance and Audit Committee report to the Board.
  4. Proposed performance monitoring criteria are shown at Appendix 2. If a check is not operating effectively, the outcome is RAG rated and accompanying narrative included in the associated finance report circulated to the Finance and Audit Committee.

# **Tre****asury Controls**

* 1. The overall objective of the procedures set out below is to ensure treasury activities are undertaken in a controlled manner to ensure Inspire is not exposed to undue operational risk. In particular:

1. there is a segregation of duties between staff who initiate payments and set up suppliers banking details
2. all confirmation of transactions from counterparties are checked and recorded in Inspire’s financial ledger by the Banking Team
3. all transactions are recorded in Inspire’s cash management system
4. all payment instructions/confirmations require authorised signatories in accordance with Inspire’s internal policies (see Appendix 1)
5. mandates are regularly reviewed and sent to all counterparties.
   1. **Authorisation Procedure** – Creditors: Payment of Creditors
      1. The Purchase Ledger Team (PL Team) enter creditor invoices onto the workflow system for appropriate authorisation by budget holders or their delegates.
      2. A separate PL Team member or the Team Leader prepares and checks a list of outstanding creditors to be paid, checking the payments list for errors.
      3. The BACS Schedules are then checked and authorised by the Banking Team or an appropriate equivalent who also checks there are sufficient funds available to make the payment
      4. Schedules for payment to third parties from the Inspire bank accounts are then authorised in accordance with Appendix 1 of this Treasury Management Policy.
      5. Authorised BACS schedules are communicated to the BACS provider electronically by the Senior Finance team, to ensure segregation of duties.
      6. Automated electronic remittance advice sent to suppliers via email relating to BACS transactions.
      7. If an email is not available for a supplier, then a hard copy remittance advice is posted.
      8. Cheques are produced in only exceptional ad hoc circumstances, these are confirmed to be paid by the Banking Team or a deemed equivalent and the appropriate authorised signatories are obtained in accordance with Appendix 1.
   2. **Inspire Purchase Cards**
      1. Inspire purchase cards will only be issued to staff authorised by the Chief Financial Officer or CEO.
      2. All cardholders are required to authorise and return their card statements to [Finance@inspireculture.org.uk](mailto:Finance@inspireculture.org.uk) SharePoint file on a monthly basis. Failure to return a statement or a reconciliation will result in the card being suspended.
      3. Any temporary changes to credit limits, individual limits and barring of services will be administered by the Banking Team and individually authorised by the Chief Financial Officer, Assistant Chief Financial Officer or CEO.
      4. The limit and categories available on individual cards are tailored to the needs of the service area to which it relates.
      5. A master list of issued cards, authorisation and credit limits is maintained and managed by the Finance Team.
      6. All transactions relating to Inspire purchase cards are recorded on Inspire’s Finance System by the Finance Team.
   3. **Imprest Accounts**

9.4.1 Inspire has one imprest account for Petty Cash. If it is determined that a further imprest account is necessary, then authorisation for the account will be subject to the levels set out in Appendix 1 to this Treasury Policy.

* + 1. Imprest account holders are also required to submit a monthly reconciliation of cash drawn and expenditure made to the Finance Team.

# **Appendix 1 – Bank Mandates**

All Bank Mandates are maintained by the Chief Financial Officer

Authorised Signatories - **A List**

Chief Executive Officer

Chief Financial Officer

Assistant Chief Executive Officer

Assistant Chief Financial Officer

Director of Culture

Workforce Development Manager

Members of the Board:

John Cottee

Peter Ware

# **Appendix 2 Treasury – Policy Checklist – Performance Monitoring Criteria**

The following table details the continual background checks undertaken which are only reporting to the Inspire Leadership Team by exception, i.e. if the control has not been adhered to during the period of review.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Good Practice/Policy Requirement** | **Measure** |  | **Comment/ Exception** |
| 1 | Bank reconciliations carried out weekly and reviewed monthly | Weekly reconciliations carried out by the Banking Team. Monthly reconciliations completed and passed to Senior Finance team at end of each month |  | Weekly reconciliations are completed |
|  | Monthly reconciliations are completed and authorised, there are no variances of concern |
| 2 | Produce and circulate quarterly movement and treasury report for review | Report circulated, and reviewed weekly |  | No of days not distributed or reviewed – inmplementing Sep21 |
| 3 | All transactions are recorded in Inspire’s cash management system | All invoices entered on ledger within 72 hours of receipt |  | Invoices are processed within a timely process |
| 4 | Cash requirement confirmed and authorised before BACs payment runs | BACS paperwork signed by the relevant officer to confirm check undertaken |  | This is always complied with |
| 5 | Payment instructions require signatories in accordance with Appendix A of the Treasury Management Policy | Every payment instruction to be in line with the Treasury Management Policy |  | This is always complied with |
| 6 | Purchase cards to be issued to staff authorised in line with the Treasury Management Policy | All applications to be authorised by Chief Financial Officer/ Assistant Chief Financial Officer/ CEO |  | No of Purchase cards issued in month without appropriate approval - zero |
| 7 | All cardholders required to authorise and return statements and receipts monthly | Treasury Report details number of outstanding statements |  | No of cardholders with statement overdue |
| 8 | Cards to be suspended if persistent failure to return statements or missing receipts | Treasury Report details number of suspensions |  | No of cards suspended due to statement overdue or missing receipts |
| 9 | Temporary changes to cards authorised in line with Treasury Management Policy | Exception forms to be completed and filed for each change on a card, includes evidence of signatory. |  | All changes are authorised and comply with policy |
| 10 | Mandates regularly reviewed | Bank Mandates reviewed annually |  | Last Reviewed – Dec20 |
| 11 | Authorisation of purchase invoices outside of the workflow system | Monthly sample check of pre-approved invoices |  | No of invoices authorised outside of the system |

**Responsible person: Peter Gaw**

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