Chesterfield Canal Trust Ltd. Treasury Management and Reserves Policy

Purpose

The Treasury Management Policy sets out how the Trust will manage income, investments and borrowing to support delivery of the objectives of the Trust.

Income and Banking

Responsibility of the Treasurer

- Ensuring that systems are in place to ensure that all income is identified, collected, receipted and promptly banked.
- The Treasurer is authorised to write off any debt up to £500. Above this limit requires the approval of Trustees.

Responsibility of Budget Holders

- To have robust processes in place for dealing with income collection in their service area where required. There must be extra controls in service areas that collect cash or cheques.
- To raise invoices as soon as reasonably practical for all goods and services provided on credit.
- To follow the systems and procedures laid out by the Treasurer.
- All people involved in income collection are suitably trained.
- Official receipts are always given.
- Proper records are kept.
- Money is banked as soon as practicable.
- The Treasurer must be advised of any cases of financial impropriety.

Investments

The Trust maintains cash / instant access investments to enable it to manage the day to day cashflow of the organisation and any risks identified that could require access to cash at short notice.

The Trust with also maintain cash to maintain adequate reserves to manage risks in accordance with the Reserves Policy and to support delivery of strategic projects.

In view of this the Trustees have agreed to share cash reserves around financial institutions operating within the Financial Conduct Authority’s remit and to restrict investment levels to the financial limits in operation from time to time.

The Treasurer, in consultation with the Chair of the Trust may increase holdings in trusted institutions where this is deemed necessary to manage unusually cashflows e.g. when delivering large scale projects / grant-aided schemes.

Loans policy

Other than pre-approved credit cards, any borrowing must be approved by the Board of Trustees, and in accordance with Trusts constitution, delegated authorities and rules on procurement.

The Trusts ability to pay back both the loan and the interest must be determined before entering into any borrowing.
The impact on the Trust of any security required or bank covenants attached to a loan must be considered before entering into any borrowing.

Any loans taken out for day to day working capital purposes will be restricted to short term borrowings of six months or less and must not exceed £5,000.

Where loans are advanced by an individual, including Trustees, the Board of Trustees must be satisfied that this represents value for money. The loan must be properly documented setting out the principal, interest, charges and payment schedule. Any conflicts of interest must be noted and managed in accordance with the Trust's policy.

Records of all outstanding loans will be kept, noting:

- The history of repayments of principal and interest and the outstanding balance.
- If the loan is secured or subject to bank covenants, the terms of the security or bank covenant will be logged on the fixed asset register.

Money Laundering

The Trust has procedures for checking the recording the intentions of the people and organisations it does business with and for reporting suspected money laundering.

The Treasurer is the appointed Money Laundering Officer and as well as ensuring that there are procedures in place to combat money laundering that are required to maintain and review the Trust's Anti-Money Laundering Procedures.

All people supporting the Trust must not:

- Conceal, disguise, convert, transfer or remove anything gained through crime.
- Tip off a criminal or suspect.
- Assist money laundering.

Reserves Policy

The Charity Commission expects the Trust to decide, publish, implement and monitor the Trust's Reserves Policy so that Trustees can comply with their legal duty to:

- act in the interests of their charity and its beneficiaries;
- protect and safeguard the assets of their charity;
- act with reasonable care and skill;
- ensure their charity is accountable.

Reason to hold reserves for the Trust to be effective.

- The risk of unforeseen emergency or other unexpected need for funds, e.g. an unexpected large repair bill or finding 'seed-funding' for an urgent project.
- Covering unforeseen day-to-day operational costs, e.g. employing temporary staff to cover a long-term sick absence.
- A source of income, e.g. a grant, not being renewed. Funds might be needed to give the Trustees time to take action if income falls below expectations.
- Planned commitments, or designations, that cannot be met by future income alone, e.g. plans for a major asset purchase or to a significant project that requires the charity to provide 'matched funding'.
- The need to fund short-term deficits in a cash budget, e.g. money may need to be spent before a funding grant is received.

The amount of reserves to hold

- The Trust a minimum level of reserves equivalent to the normal annual contractual commitments.
- Sufficient reserves to manage the financial risks identified within the Risk Management Policy that cannot be otherwise mitigated.
- Uncertainty over future income might mean having reserves equivalent to a number of weeks of income to allow time to develop new sources of income or to cut-back on related expenditure.
- Consideration of any planned spending commitment which cannot be met from future income implies a need for a specific sum to be set aside.
- Consideration of the requirement to cover any 'troughs' in the cash budget.

Reserves Held At Year End

- Identify the unrestricted reserves held.
- Calculate the amount required.
- State how the shortfall might be made good.
- Monitor progress toward reducing the shortfall.

Responsibilities

Board of Trustees

- Approve the Treasury Management and Reserves Policy annually.
- Consider monitoring reports at least twice per annum.
- Approve Reserves Policy annually.
- Approve the level of reserves to be held annually

Treasurer

- Maintain procedures to effectively manage the treasury management processes.
- Maintain effective internal controls of treasury management processes.
- Submit monitoring reports to the Board of Trustees at least twice annually.
- Submit Reserves Policy to the Board of Trustees annually.
- Calculate the level of reserves to be held by the Trust.
- Develop plans to ensure that the level of cash reserves is adequate to meet the Reserves Policy.