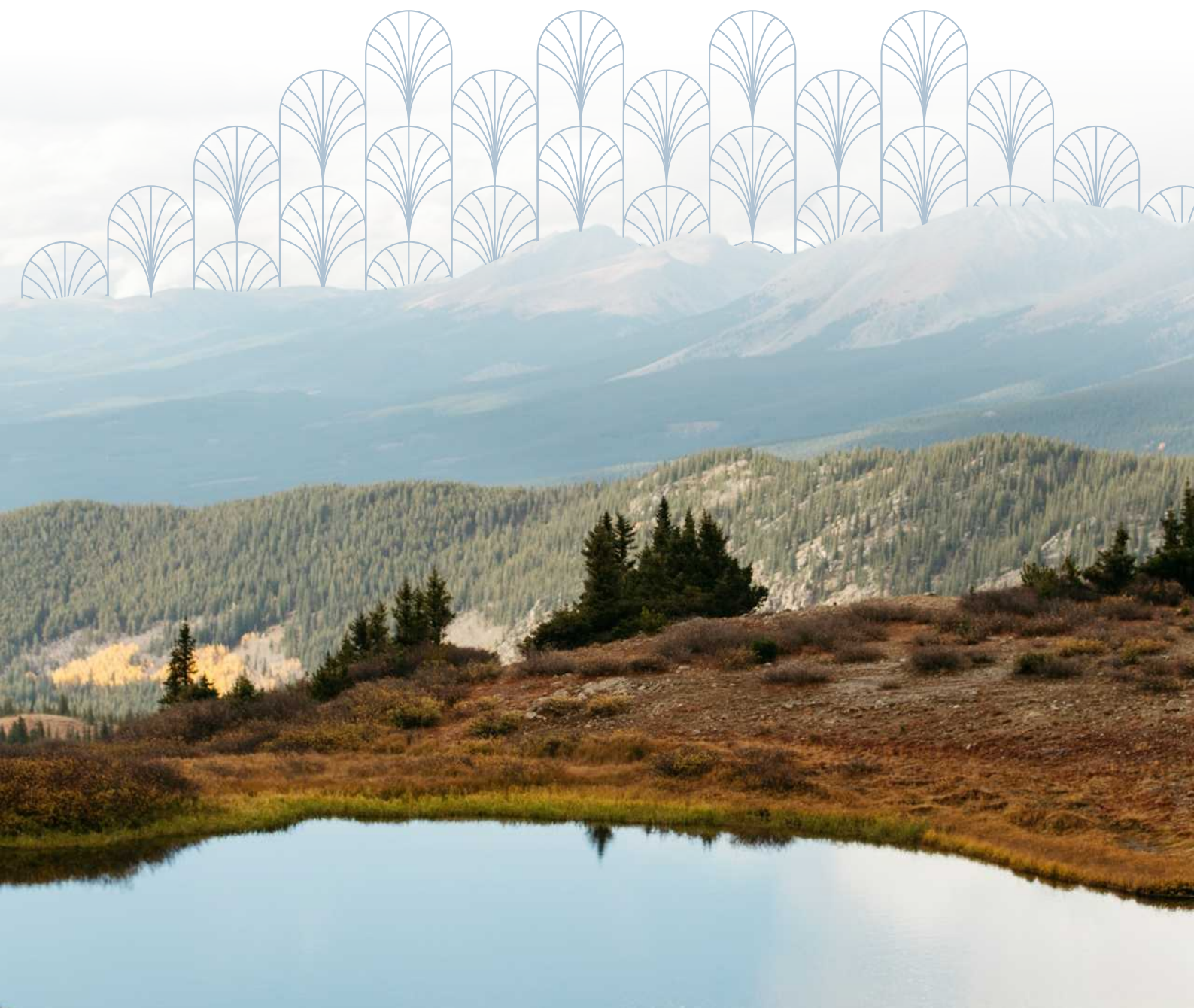


Example treasury policy for a charity



Example treasury policy for a charity

Purpose and scope

To set out the processes by which the charity can invest funds surplus to day-to-day operational requirements and to ensure that investment risk is properly and prudently managed.

In doing so, Trustees must:

- Act within their charity's power to invest
 - Set investment objectives
 - Set the parameters that deposit counterparties need to meet
 - Consider the level of liquid cash required to be held either overnight or within current accounts
 - Approve the type of products that the charity can invest in and seek external guidance if required
 - Define processes to manage and make investment decisions
 - Monitor and review investments on a regular basis
-

Responsibility

The Finance Committee delegate the day-to-day responsibility of managing and implementing the investment policy to the Finance Director to ensure investments are managed in accordance with this Policy and monitor regularly how the charity's investments are performing.

Objectives

The charity's overall investment objective is to preserve and grow capital in real terms and generate returns that support the activities of the charity. The charity seeks to produce a suitable financial return within an acceptable level of risk.

Any investment decisions must be supported by a cashflow forecast that clearly demonstrates that the charity is left with sufficient liquidity to carry out its daily activities.

Risk

The charity will only deposit its money with a trustworthy provider. The charity will only use banking providers that are authorised by relevant financial regulator such as the the Financial Conduct Authority, the Prudential Regulation Authority or a relevant financial regulator in any other country.

Counterparty limits

The charity uses Fitch Ratings to look at both the Credit Rating and Financial Implied Credit Scores. The Credit Rating or Financial Implied Credit Score will be checked before each deposit placement or roll-over.

Any accrued interest is in addition to / inclusive within these maxima.

Grade	Rating / Score	Maximum deposit per bank	Maximum maturity period
Very High	AA+ AA AA-	£5,000,000	5 years
High	A+ A A-	£1,000,000	5 years
Good	BBB+ BBB BBB-	£500,000	5 years
Speculative (or below)	BB+ BB BB-	£120,000	1 year

Credit ratings comparison table

	Moody's		S&P		Fitch	
Rating	Long term	Short term	Long term	Short term	Long term	Short term
Very High	Aaa	P-1	AAA	A-1+	AAA	F1+
Highest (Triple A)		(Prime-1)				
Investment grade:						
Very High	Aa1		AA+	A-1	AA+	F1/F1+
	Aa2		AA		AA	
	Aa3		AA-		AA-	
Investment grade:	A1		A+	A-1	A+	F1
High	A2	P-2 / P1	A		A	
	A3	P-2 / P1	A-		A-	
Investment grade:	Baa1	P-2 (Prime - 2)	BBB+	A-2	BBB+	F2
Good	Baa2	P-3 / P2	BBB		BBB	
	Baa3	P-3 (Prime - 3)	BBB-		BBB-	
Speculative Grade:	Ba1	Not Prime	BB+	B	BB+	B
Speculative	Ba2		BB		BB	
	Ba3		BB-		BB-	
Speculative Grade:	B1		B+	C	B+	C
Highly speculative	B2		B		B	
	B3		B-		B-	
Speculative Grade:	Caa1		CCC+	C	CCC	C
Very High Risk	Caa2		CCC			
Speculative Grade:	Caa3		CCC-			
	Ca		CC	D	CC	RD/D
Very near to default			C		C	
In default			C		SD/D	

Assessing liquidity needs

The Finance Director should ensure that a sufficient balance is held across accounts with instant access so that the charity's financial commitments can be met without the risk of the current account going overdrawn.

A contingency amount should also be considered to give flexibility to cover any reasonable one-off events.

If interest rates are not competitive on the current account or by using a sweep facility, the Finance Director can consider placing some of the surplus cashflow funds into an appropriate instant access/ easy access deposit account providing cleared funds can be repatriated within a short period of time.

The charity's cashflow forecasts will dictate how much is available for investment and for how long.

The cashflow forecasts should be reviewed monthly as part of the management accounts cycle and on maturity of fixed term deposits.

Investment products

Any monies held in savings or deposit account qualify as investments. The charity can invest surplus funds in a mixture of interest-bearing accounts and money market facilities (where the capital is not placed at risk) including:

Overnight (instant access / easy access)

Notice accounts (typically ranging between 30 days up to 365 days)

Fixed term deposits (decide if you want the ability to go beyond 12 months)

Investments should not exceed 5 years in term.

New asset classes will be considered by the Finance Committee.

See the appendix for more on investment products.

Delegation of authority

The Finance Director is responsible for producing reliable cash flow forecasts as a basis for decision making.

The Finance Director is responsible for making investment decisions that comply with this Policy.

The opening or closing of bank accounts should be authorised in line with the current Financial Regulations.

Monitoring & reporting

The Finance Director will report investments held and the performance of investments against objectives to the Finance Committee for review each time it meets or when requested to do so. The reporting should include:

- Funds invested and the tenor
- Maturity dates / Notice maturity dates
- Interest rates
- Current market rates
- Blended returns achieved against expected performance and policy benchmarks
- Latest cash flows showing 12 month liquidity requirements
- Recommendations for the next **3 months**.

Review

The Finance Committee should review the Investment Policy to ensure it is still fit for purpose **annually**.

REVISED: [00/00/2025]

REVIEW DATE: [00/00/2025]

Appendix

Appendix A - Approved Investment Products Introduction

This appendix lists the types of investment products the charity is permitted to use in accordance with its Treasury Policy and the Charity Commission's guidance (CC14: Investment of Charity Funds).

All investments must prioritise the protection of capital, maintain adequate liquidity to meet operational needs, and deliver returns within an acceptable level of risk.

Investments should only be made with counterparties and instruments approved by the Trustees, in line with the charity's ethical considerations and overall risk tolerance.

Investment type	Description	Risk Level	Liquidity	Permitted (Yes/No)	Condition/Notes
Bank deposits	Cash deposits held with UK-regulated banks and building societies.	Low	High	Yes	Must be held with institutions regulated by the Financial Conduct Authority (FCA) and within the charity's approved counterparty limits.
Savings accounts / Notice accounts	Interest-bearing accounts offering daily or short-term access.	Low	High	Yes	Suitable for operating reserves or short-term funds. Notice period should not exceed 95 days unless approved by Trustees.
Monkey market funds (MMFs)	Diversified funds investing in short-term, low-risk instruments.	Low-Medium	High	Yes	Must be AAA-rated or equivalent. Daily liquidity required. Exposure to a single fund should not exceed 25% of total holdings.
Government bonds (gilts)	UK government-issued securities.	Low	Medium	Yes	Permitted for funds not required for immediate use. Duration should not exceed 3 years unless approved by Trustees.
Charity common investment funds (CIFs)	Regulated pooled funds designed for charities.	Medium	Medium	Yes (restricted)	Must align with the charity's ethical investment principles and be managed by FCA-authorised managers.
Corporate bonds	Debt securities issued by UK corporates.	Medium	Medium	No	May be considered only where investment-grade (A or above) and approved by Trustees.
Equities (shares)	Ownership interests in listed companies.	High	High	No	Not permitted due to volatility and capital risk.
Derivatives	Financial contracts based on underlying assets.	High	Variable	No	Prohibited, except for hedging where expressly authorised by Trustees.
Alternative/complex instruments	Includes structured products, hedge funds, and private equity.	High	Low-Variable	No	Not permitted under the charity's low-risk policy.

Get in touch

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