



## BOTANICAL SOCIETY OF BRITAIN & IRELAND

### TREASURY POLICY

Prepared by & date:	Julie Etherington, Finance Manager, November 2024
Recommended by & date:	Finance Committee, November 2024
Approved by & date:	Board of Trustees, 10 <sup>th</sup> December 2024
Next Review due:	Autumn / Winter 2027 (three-year review interval)

#### 1. Purpose & Background

The purpose of this **Treasury Policy** is to set out the policies and procedures for **Treasury Management Activities** (**Note 1**). This Policy takes a risk management approach, designed to achieve effective and prudent treasury management that aligns with BSBI's strategic objectives. This approach is also aligned to Charity Commission Guidance.

This is a new BSBI policy, now developed following recent significant donations & legacies. BSBI is now fortunate to have significant **Cash** to manage, develop and utilise in pursuit of its charitable objectives.

Trustees are aware that ultimate responsibility for BSBI's financial operations, which **Treasury Management Activities** form part of, rests with BSBI's Board of Trustees (BoT) and cannot be delegated.

*Note 1 - words in **this colour** are defined at section 4*

## 2. Charity Commission Guidance

The Charity Commission's CC14 gives helpful guidance on how to make decisions about investing charity funds, including **Treasury Management Activities** and managing **Cash**. Two useful extracts from CC14 relevant to this Policy are below:

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*“All charities are able to invest, and investments can be a major source of funding for them. However, investing also exposes charities to risks which, if not properly managed, can affect not just the charity itself but the public’s trust and confidence in the sector more generally. Because of this, it’s important that charities manage these risks and operate within the law.”*

*“Charities invest in order to achieve a return so they can further their charity’s aims. Usually, this means the best financial return within the level of risk considered to be acceptable”*

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Also, **Section 9 of CC14 re ‘Cash deposits’** is relevant and has used as guidance in formulating this Policy. For ease of Trustees’ reference, it is included as **Appendix 1**

Finally, for those wishing to read further, the full CC14 guidance is at the link below: <https://www.gov.uk/government/publications/charities-and-investment-matters-a-guide-for-trustees-cc14>

## 3. Scope

This Policy applies to all **Treasury Management Activities** within BSBI, including but not limited to **Cash** management, liquidity management, interest rate management and management of other financial risks.

It is applicable to all employees, Finance Committee (FC) and other Trustees involved in and responsible for treasury operations, related decision-making, monitoring and oversight.

For clarity, policies and procedures for managing BSBI’s **Investments** (and cash that may exist within that portfolio from time to time) are outside the scope of this Policy and are instead set out in a separate **Investment Policy** which you may wish to read alongside this.

## 4. Definitions

Here are definitions used in this Policy:

i. **Treasury Management Activities:**

*“Managing and safeguarding BSBI’s Cash whilst optimising outcomes and mitigating financial risks in order to support BSBI’s activities”*

Other definitions of Treasury Management Activities exist which may include reference to borrowing, lending, debt or other areas; none of these are currently relevant to BSBI or this Policy.

ii. **Liquid Reserves:**

*“Cash which is available immediately.*

***Liquid Reserves\* = Cash in Bank accounts + Cash in Payment platforms”***

iii. **Non-liquid Reserves:**

*“Cash which is not available immediately.*

***Non-liquid Reserves\* = Cash in Flagstone”***

\*Cash in Flagstone is not immediately available because it is normally on fixed term deposit or in a notice account. The exception to this is if it is incoming to / outgoing from Flagstone within its Holding Account; this is immediately available.

See **Appendix 2** for a snapshot report of Cash currently in Flagstone

iv. **Cash:**

***“All of BSBI’s cash balances, in any currency, held in bank accounts, payment platforms and savings platforms at any given time. This is operating cashflows and other monies designed to meet the cost of BSBI’s activities taking place in the next 5 years***

***Cash = Liquid Reserves + Non-liquid Reserves”***

For ease of reference, this definition of Cash is exactly the same definition used to calculate the value of Cash at Bank reported in BSBI’s audited Accounts

Cash is currently held, structured and defined as shown in the following table. Cash amounts to ~£0.47M (November 2024) broadly split as to:

- Liquid Reserves                      £0.15M (CAF + HSBC + Stripe + GoCardless)
- Non-liquid Reserves                £0.32M (Flagstone)

<b>Category, Institution, Account, Currency &amp; Reserves Definition</b>				
<b>Bank Accounts</b>				
CAF Cash - Current £				
CAF Gold - Deposit £				
HSBC £				
HSBC Business Money Manager £				
HSBC Euro €				
	<b>Liquid Reserves</b>			
			<b>Cash</b>	
<b>Payment platforms</b>				
Stripe £				
Stripe €				
GoCardless £				
				<b>Total Reserves</b>
<b>Savings platform</b>				
Flagstone £				
	<b>Non Liquid Reserves</b>			
<b>Investments</b>				
Investment portfolio £				
	<b>Investments</b>			

v. **Investments:**

***“BSBI’s diversified investment portfolio managed under a discretionary mandate by RBC Brewin Dolphin (RBCBD).***

***“Cash + Investments = Total Reserves”***

For ease of reference, this definition of Investments is exactly the same used to calculate the value of Investments reported in BSBI’s audited Accounts

Investments are currently (November 2024) valued at ~£0.75M

Total Reserves therefore stand at (November 2024) ~£1.22M

vi. **Counterparty and Treasury Deposit:**

***“A Counterparty is a bank, building society or other financial institution to whom BSBI lends (deposits) its Cash and which meets the credit reference and other criteria set within this Policy. Such a loan / deposit is called a Treasury Deposit”***

## 5. Objectives

This Policy takes a risk management approach & the primary objectives of this Policy are:

- **Cash & Liquidity management** – ensure the right amount of (but not excessive) **Cash** is available at the right time for operational and strategic needs
- **Interest rate management** - Maximise **Non-liquid Reserves** & pursue optimal interest rates thereon
- **Risk management** - Identify, manage and mitigate other relevant financial risks. Eg:
  - **Credit (Counterparty) risk**; The risk of failure of a **Counterparty** to meet its contractual obligations to an organisation, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on an organisation's capital or revenue resources
  - **Currency (or Exchange rate) risk**; the risk that fluctuations in foreign exchange rates have an adverse effect on an organisation's finances, against which the organisation has failed to protect itself adequately, or a favourable effect which is missed
  - **Inflation risk**; the risk that prevailing levels of inflation have an adverse effect on an organisation's finances, against which it has failed to protect itself adequately, or a favourable effect which is missed.
- **Ensure compliance** with regulatory and legal requirements

## 6. Roles and Responsibilities

### 6.1 Finance Manager (FM)

There is no dedicated Treasury Department so the below are responsibilities of the FM:

- **Liquid Reserves** Management: Manage cashflows, maintain adequate (but not excessive) liquidity
- **Non-liquid Reserves** Management: Plan & conduct savings & interest earning activities
- Operations: Plan, conduct and obtain relevant approvals for all transactions between Cash and Investments in support of **Treasury Management Activities**
- Risk Management: Identify, manage and mitigate financial risks
- Create, understand and adhere to this Policy
- Maintain knowledge of good practice and UK interest rate market developments
- Flag and escalate any deviations from Policy to the CEO and FC
- Accountable to FC & BoT on **Treasury Management Activities** & BSBI's **Cash** balances via agreed periodic reports

### 6.2 Chief Executive Officer (CEO)

- In pursuit of the FM's day to day **Treasury Management Activities**, second authorise transfers of **Cash** from CAF to Flagstone
- Approve any deviations from Policy within tolerances felt to be acceptable
- Refer to FC for approval any deviations outside acceptable tolerances
- To check for Policy compliance, conduct spot checks & maintain periodic oversight of the FM's **Treasury Management Activities** & BSBI's **Cash** balances, the frequency & nature of which checks are at the CEO's discretion

### 6.3 Finance Committee (FC)

- Review and recommend this Policy
- Receive & consider the FM's reports on **Treasury Management Activities** & BSBI's **Cash** balances
- Receive, consider and approve any deviations from Policy referred to FC by the CEO
- Monitor adherence to this Policy & address actions
- Risk Management: Identify, manage and mitigate financial risks
- Ensure compliance with regulatory and legal requirements
- FC Chair to report and escalate to BoT all matters of importance

### 6.4 Board of Trustees (BoT)

- Review and approve this Policy
- Receive & consider the FM's reports on **Treasury Management Activities** & BSBI's **Cash** balances
- Receive reports from FC on matters of importance & act accordingly
- Responsible overall. Conclude if Trustees responsibilities are being discharged

**In addition to the above, any urgent matters which could place BSBI's **Cash** at risk, must be immediately escalated to the next level**

## 7. Policies

### 7.1 Liquid Reserves Policy

- **Objectives:** to maintain liquidity & ensure BSBI has adequate (but not excessive) **Cash** to meet liabilities as they fall due
- **Cashflow Forecasting:** Maintain visibility of future incoming & outgoing cashflows and plan and address accordingly
- **Liquid Reserves:** to be maintained at £100k with acceptable fluctuations of +/-£50k. £100k is broadly equal to 1 month's Budgeted Total Expenditure. Where Liquid Reserves are >£150k or <£50k for less than 15 working days, this is not a Policy breach.

### 7.2 Non-Liquid Reserves Policy

- **Objectives:** To protect capital, generate interest at a competitive % and to deliver budgeted income
- **Accountability:** **Treasury Deposits** can be placed via the Flagstone platform only
- **Currency:** GBP £ only
- **Approved Instruments:**
  - Term deposits
  - Notice Accounts
- **Instrument maximum terms:**
  - Term deposits of up to 2yrs. Terms are available of up to 5yrs, however, transacting beyond a 2yr term is felt to unacceptably raise **Counterparty** Risk
  - Notice Accounts of up to 6 months / 180 days

### 7.3 Risk Management Policy

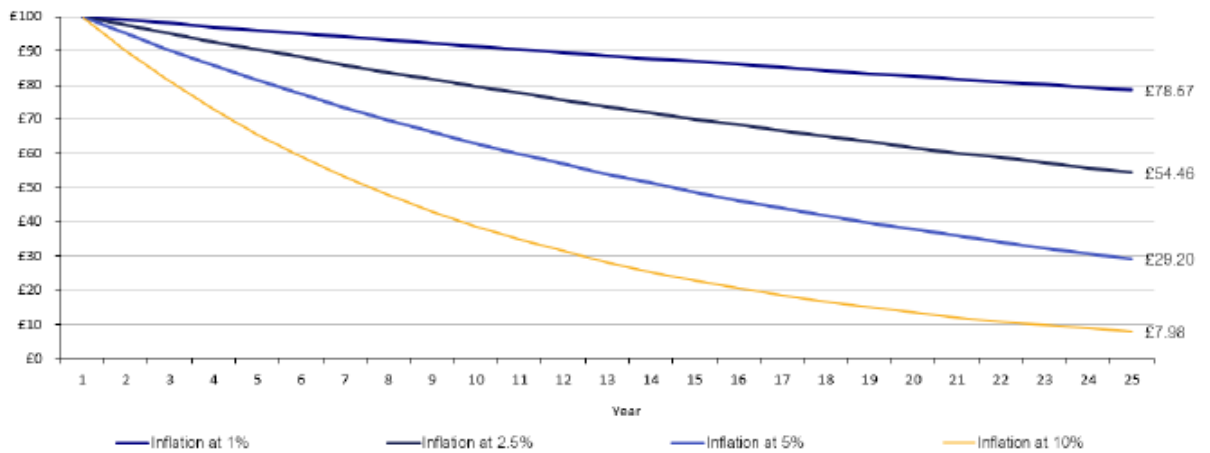
- **Credit (Counterparty) Risk:** Manage the risk of BSBI suffering risks or losses due to Credit Risk by capping holdings with individual banking groups at the Financial Service Compensation Scheme (FSCS) limit [£85,000 in November 2024]. All UK based banks and building societies on the Flagstone platform are members of the FSCS. The portal says this:

*“In the event that one of the UK based banks and building societies on the platform were to go into administration then our client, if eligible, would have a single claim under the FSCS limited to the deposit compensation limit of £85,000. **You don’t need to do anything – FSCS will compensate you automatically.**”*

- **Treasury deposits** are not to be placed with any bank used for the society’s day to day banking except CAF Bank.
- CAF Bank is BSBI’s clearing bank and it would be impossible, to consistently maintain the balance at under the FSCS guarantee. The credit risk posed by this situation is felt to be mitigated by the following:
  - **Strong financial position:** [https://www.cafonline.org/docs/default-source/annual-reports/caf-bank-annual-report-2023\\_2024.pdf](https://www.cafonline.org/docs/default-source/annual-reports/caf-bank-annual-report-2023_2024.pdf)
  - **Well respected:** <https://www.cafonline.org/home/about-us/press-office/caf-bank-tops-charity-excellences-banking-survey>
  - **Charities Aid Foundation**, its partner organisation, is embedded in the charitable community: <https://www.cafonline.org/>
- **Currency Risk:** BSBI’s base currency is £ GBP. There is modest exposure to income & expenditure in € EUR (~€75kpa and ~€50kpa respectively) and \$ USD (each <\$10kpa). € currency risk is mitigated by the low € : £ volatility, income and expenditure produces a helpful “natural hedge” and bank balances are held in €; translated to £ when the FM feels it is appropriate. \$ USD income is low, is translated to £ GBP on receipt. In conclusion, Currency Risk poses no material financial risk to BSBI.
- **Inflation Risk:** BSBI will manage its exposure to varying levels of inflation or deflation, insofar as they can be identified as impacting directly on its **Treasury Management Activities**. BSBI is aware that inflation erodes the spending power of **Cash** over time. This means that the interest received on **Non-liquid Reserves** may not fully compensate for this erosion in times of high inflation, as illustrated below:

## The impact of inflation

An illustration of the 'real' value of £100 over 25 Years



Inflation illustration, source: RBC Brewin Dolphin Limited.

### 7.4 Debt Policy

- **General:** BSBI currently has no loans or debts owed to others which are outstanding for more than 30 days, nor is there foreseeable need to take on debt to fund future activities
- **Limits:** No debt may be taken on

### 7.5 Compliance and Reporting Policy

- **Compliance:** Adhere to all legal, regulatory, and contractual requirements
- **Reporting:** As described earlier, the FM will periodically report as described to the CEO, FC & BoT on **Treasury Management Activities**, **Cash** balances, interest earned, FSCS protection, risk exposures, and Policy adherence
- **FSCS Protection level:** This can be easily monitored by the FM & others on the “My Summary” page of the Flagstone platform, where the below is currently displayed:

**FSCS PROTECTION**

**100%**

**of your funds are FSCS protected\***

**\*This calculation only includes funds in your holding account and savings accounts. We don't include any funds outside of the platform**



## 8. Internal Controls

- There are three types of treasury transaction for which internal controls are in place:
  - 1) **CAF payments** to Flagstone – required when there are actual & future anticipated surplus **Liquid Reserves** in CAF
  - 2) **Flagstone payments** to CAF – required when there is an actual & future anticipated shortfall of **Liquid Reserves** in CAF
  - 3) **Flagstone deposits** placed with **Counterparties** – required in order to generate interest income (as per the FM’s responsibilities)
- **Segregation of Duties:**

Where appropriate, transaction initiation, approval & oversight are segregated in order to mitigate fraud risk. Segregation is not always essential however, as reliance can be placed on platform integrated controls and other assurance measures. Also, pragmatism is needed due to BSBI’s limited resources:

  - 1) **CAF payments** - all payments are approved by two individuals (as required by the CAF platform) normally the FM & CEO.
  - 2) **Flagstone payments** – the Flagstone platform permits payments to only one “Nominated bank account”; BSBI’s **CAF Cash account**. If this bank account was no longer to be used, Flagstone would require the instruction by the FM (the “Execution User”) to change the Nominated Account to be approved by either the CEO or a member of FC. Because of this dual authorisation, the FM alone decides on & executes these payments. The CEO has oversight of these payments via Flagstone’s automatic emails.
  - 3) **Flagstone deposits** - The FM is responsible for planning and conducting savings & interest earning activities in accordance with the Policy and is accountable to FC & BoT. Because of this, and because the platform caters for only the Execution User to make deposits, the FM alone does so. The CEO has oversight of these deposits via Flagstone’s automatic emails.
- **Approval Authority:** Define authorisation levels:
  - 1) CAF payments – as required, no limit. Typically, large round sum payments
  - 2) Flagstone payments – as required, no limit. Typically maturing deposits
  - 3) Flagstone deposits – capped at the FSCS compensation limit (£85,000 per **Counterparty** at November 2024)
- **Monitoring:** as described in Roles & Responsibilities section 6:
  - Self-monitoring by the FM
  - Some dual authorisation as above
  - Reporting by the FM to FC & BoT
  - Independent monitoring by CEO, FC & BoT
- **Advice:**

The Board has considered the guidance in CC14 (**Appendix 1**) to **obtain advice where appropriate** and has concluded that so long as all transactions are conducted within the constraints of this Policy, it does not need to do so.

Policy compliant **Treasury Deposits** are felt to be less risky than **Investments**; where the Board receives the professional advice of RBCBD as set out in BSBI’s separate Investment Policy

## **9. Policy Approval, Implementation and Review**

Once approved, this Policy is to be implemented immediately and remains effective until further notice

The Policy will be reviewed every 3 years, or earlier if needed to reflect changes in market conditions, regulatory requirements, or business needs

# APPENDIX 1 - CC14 extract; Section 9, Investing charity money

## 9. Cash deposits

### 9.1 What should trustees consider when investing in savings and cash deposits?

#### The short answer (legal requirement)

Savings and cash deposits are forms of investment and the legal requirements set out in section 3.2 apply. Cash deposited in a bank or building society normally earns interest which can be used by the charity to generate income until it is either needed to spend on the charity's aims or placed in longer term investments.

There are a number of other ways of investing cash, particularly for larger charities, and charities should take advice where appropriate. They should identify and plan for the management of any risks attached to the investment of cash.

#### In more detail

Cash needed for the day to day running of the charity is usually held in an instant access current or deposit account. Charities wishing to lock away cash for longer periods of time, for example to fund a project at a defined point in the future, can deposit cash in a fixed term or notice account, which can offer higher rates of interest, but will usually have restrictions on access to funds.

In complying with their duties (set out in section 3.2), trustees should:

- **Have a short, written policy:**

This should cover where and how long cash may be deposited and the maximum amount to be placed in one institution. If necessary, the statement should cover the policy for short, medium and long-term deposits.
- **Consider thoroughly which institution to invest with:**

Cash should only be deposited with reputable institutions, such as those authorised by the FSA in the UK or by the relevant financial regulator in any other country.
- **Investigate the benefits offered by a particular deposit account:**

Cash deposits should be in an interest-bearing account, unless trustees plan to use the money on deposit in the short term or invest it elsewhere for the longer term. Trustees should consider:

  - the rates of interest on offer; interest rates vary across institutions and on particular accounts over time - charities should regularly review accounts to ensure they are getting competitive rates, rather than constantly seeking the highest rate, trustees may prefer to deposit cash in an institution that has consistently good interest rates
  - the timing of interest payments, for example, whether they are monthly or annual
  - the conditions of access to funds, including any charges or penalties arising from access at short notice or early termination
  - whether interest is paid gross or net of tax
  - the charity's ethical stance

Non-financial considerations, such as the location of the institution, are important but only secondary to those listed above.

- **Investigate what protection there is for deposits:**

Charities should seek assurance that institutions are protected wherever possible and trustees should be fully comfortable with the protection arrangements before depositing money with that institution, whether in the UK or abroad. For further information, see the Financial Services Compensation Scheme website <https://www.fscs.org.uk/>

- **Limit the amount deposited in any one institution:**

Trustees should balance the benefit of getting a higher rate of interest for depositing a single large sum against the risks involved with depositing with a single institution. Charities depositing large amounts should consider establishing a policy for the maximum amount to be placed with any one institution in order to reduce the risk of lost deposits. By splitting large deposits between banking institutions, trustees reduce the risk of large losses due to institutional failure.

- **Get professional advice where appropriate:**

Charities must take advice from someone experienced in investment matters where they consider they need it.

- **Ensure all deposits are properly authorised:**

The opening or closing of bank accounts should be authorised by the whole trustee body, but can be delegated where appropriate subject to reasonable limits. The Commission recommends that all subsequent deposits of funds should be authorised by at least 2 authorised individuals. For most charities, these individuals should be trustees. Subject to restrictions imposed by the charity's governing document, trustees are recommended to appoint more than 2 signatories, so that 2 can always be available if necessary. All trustees share responsibility for ensuring that proper and appropriate steps are taken to protect the investment before arranging for deposit of the charity's money.

- **Recovery of tax:**

There are many deposit accounts available, and some designed specifically for charities, which pay interest gross of tax. If, however, the account preferred by trustees pays interest on the charity's deposit net of tax, then trustees should ensure they are able to reclaim the tax.

- **Consider whether Common Deposit Funds would be appropriate:**

Common Deposit Funds (CDFs) are deposit taking schemes that are tax efficient, administratively simple and cost efficient. They do not fall within the Financial Services Compensation Scheme. They enjoy the same tax status as other charities. CDFs accept deposits from depositing charities and place the money they have accepted on deposit in the money market. By pooling funds (usually for relatively short duration) on deposit, CDFs can secure a higher rate of interest for the depositing charities than each charity would otherwise get, if undertaken separately.

For more information, see:

<https://www.gov.uk/government/publications/common-investment-funds-and-common-deposit-funds>

- **Review arrangements regularly:**

Trustees should regularly review their cash management arrangements and the costs and benefits of their charity's cash accounts to ensure their deposits are protected and that charges and rates of interest are competitive.

# APPENDIX 2 – Cash held in Flagstone as at 13<sup>th</sup> Nov 2024



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E: clientservices@flagstoneim.com

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Client ref: BOTA002C

## SAVINGS ACCOUNTS STATEMENT

Summary from 13 October 2024 to 13 November 2024

<b>£757.54</b> Holding account balance <small>(as at 13 November 2024)</small>	<b>£320,000.00</b> Savings accounts balance <small>(as at 13 November 2024)</small>	<b>£757.54</b> Total interest paid <small>(from 13 October 2024 to 13 November 2024)</small>	<b>£766.79</b> Total interest unpaid <small>(from 13 October 2024 to 13 November 2024)</small>		
Bank name	Account type	Account status <small>(as at 13 November 2024)</small>	Unpaid interest (1)	Paid interest (2)	Savings accounts balance <small>(as at 13 November 2024)</small>
HSBC	Fixed 3 months	Closed	£0.00	£861.26	£0.00
Standard Chartered Bank	Fixed 3 months	Active	£139.61	£0.00	£35,000.00
Aldermore	Fixed 12 months	Active	£145.75	£0.00	£35,000.00
Standard Chartered Bank	Fixed 6 months	Active	£212.60	£0.00	£50,000.00
Sainsburys Bank	Fixed 2 months	Active	£102.83	£0.00	£30,000.00
Sainsburys Bank	Fixed 6 months	Active	£54.72	£0.00	£55,000.00
Aldermore	Fixed 6 months	Active	£34.13	£0.00	£35,000.00
Nationwide	Fixed 3 months	Active	£77.15	£0.00	£80,000.00
Hampshire Trust Bank	Fixed 1 month	Closed	£0.00	£96.28	£0.00

(1) Unpaid interest is indicative and may vary when it is credited to your account. We refer to unpaid interest as 'profit' for Sharia bank accounts.