



## CHAPTER INVESTMENT IN THE COLLEGE POLICY

Policy number	10	Version	1
Drafted by	FRC	Approved by Council on	23-12-2019
Responsible person	CEO	Scheduled review date	January 2021

### **Purpose**

In the strictly legal sense, all Chapter assets remain the collective property of the College. However, there has been a tradition of a degree of financial autonomy for Chapters, including the ability to accumulate and direct reserves that have been earned by individual Chapter effort. Over time this has resulted in cumulative Chapter reserves being equal to or greater than the reserves of the College centrally. College policy limits the investment of Chapter reserves to interest bearing deposits. Currently as of December 2019, all Chapter reserves are held in external financial institutions. This policy outlines the mechanism by which Chapter reserves may be invested internally within the College to the mutual benefit of both the individual Chapter (typically a favourable interest rate) and the collective College (typically a specific capital project).

This policy applies to:

- All Chapters
- Council
- Staff

If there is uncertainty about a particular aspect of this policy, contact the College office for clarification.

### **Policy**

The College may from time to time invite Chapters to invest financial reserves internally within the College. The College may do this for general or specifically stated reasons. Participation in any investment opportunity offered by the College will be voluntary, redeemable and at the sole discretion of the individual Chapter. The type and duration of this investment may be varied at the sole discretion of the College. The details of the currently offered investment opportunities are stated in the procedure.



## CHAPTER INVESTMENT IN THE COLLEGE PROCEDURE

Procedures number	10	Version	1
Drafted by	FRC	Approved by CEO on	23-12-2019
Responsible person	CEO	Scheduled review date	January 2021

### Procedure

- Chapters will be invited to invest any amount of their funds that will not affect their ability to function during the year (i.e. an amount equal to the approved budget expense should remain within the Chapter Westpac transaction account).
- Chapter Westpac transaction accounts will not be internalised and will continue to be operated as currently.
- The College will maintain a record of Chapter Loans. Chapters will have these balances reported to them, along with corresponding interest on an annual basis or on request.
- Interest will be marked to the Westpac 1-year Term Deposit rate as of the start of the College financial year. An additional 0.5% (e.g. if the current rate is 2.5% then the College rate will be 3.0%) will be offered for rates between 0 and 5%.
- Interest payment will be yearly and will occur on the last business day of February in accordance with the College financial year. For reasons of financial reporting all interest will be paid into the Chapter Westpac transaction account rather than reinvested with the principal.
- The interest will be assessed on the lowest (non-zero) balance over the year and pro-rated if the investment was created during that year.
- College Council will have discretion to pay interest calculated on higher balances if there are large movements in chapter loan balances during the year.
- The loan principal or part thereof will be redeemable at the end of the College financial year so long as College cash reserves are above a cash reserve threshold of \$500,000 (to protect College liquidity).
- The loan principal may also be redeemable prior to the end of the financial year with 60 days' notice in writing and contingent on College liquidity. Interest on early withdrawals will be pro-rated at the discretion of Council.

### Reporting

- Any movement in loan balances during the year are reported to individual chapters within 90 days. They are also reported to College Council through the periodical statement of Cashflows (Cash inflows to College are a cash outflow to Chapters and vice versa).
- At the end of the College Financial Year (28 February) interest will be calculated and transferred to chapter accounts. Details of interest paid will be provided to individual chapters.