

Section		Page
1	SCOPE AND OBJECTIVES	1
2	RISK MANAGEMENT	1
3	DECISION MAKING AND ANALYSIS	1
4	APPROVED INSTRUMENTS, METHODS AND TECHNIQUES	1
5	ORGANISATION AND SEGREGATION OF RESPONSIBILITIES	1
6	REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION	2
7	CASH AND CASH FLOW MANAGEMENT	2
8	STAFF TRAINING AND QUALIFICATIONS	2
9	USE OF EXTERNAL SERVICE PROVIDERS	2
Schedules		Page
A	RISK MANAGEMENT	3-4
B	APPROVED INSTRUMENTS, METHODS AND TECHNIQUES	5-6

Revision Update

Version	Date	Notes
4.0	May 2012	Major refresh of policy
4.1	Feb 2017	To include money market funds as approved counterparties
4.2	Oct 2017	To include overseas banks as approved counterparties and increase single institution limit from £10m to £20m
4.3	Oct 2018	To ensure that where ring-fencing exists in a banking group, then that ring-fenced bank should be used to invest surplus funds
4.4	Jun 21	To reflect recommendations of treasury internal audit as follows: <ul style="list-style-type: none">• Reflect current monthly treasury reporting requirements in the University management accounts into the TMP• Document the criteria for drawing down the RCP that was approved by the Board in October 2019

1. SCOPE AND OBJECTIVES

This document sets out the University's policies, practices and objectives regarding its Treasury Management activities.

The University, in compliance with the *CIPFA Code of Practice on Treasury Management*, defines its Treasury Management as:

- management of the University's cash flows, its banking, money market and capital market transactions,
- the effective control of the risks associated with those activities, and
- the pursuit of optimum performance consistent with those risks.

The University considers that the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured.

2. RISK MANAGEMENT

The Chief Finance Officer will:

- design, implement and monitor all arrangements for the identification, management and control of treasury management risk,
- report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the institution's objectives in this respect, all in accordance with the procedures set out in Treasury Management Practice: 6 *Reporting requirements and management information arrangements*.

The University has considered the risks and the arrangements which seek to ensure compliance with these objectives which are set out in Schedule A.

3. DECISION MAKING AND ANALYSIS

The University will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Schedule B of this policy provides approved treasury management practices for which day to day decisions can be made in managing the treasury function.

4. APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The University will undertake its treasury management activities by employing only those instruments, methods and techniques as recommended in the CIPFA Code of Practice, and within the limits and parameters defined in Section 2 Risk management. Full details are contained within Schedule B of this policy.

5. ORGANISATION AND SEGREGATION OF RESPONSIBILITIES

The University considers it essential for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these

policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

The Chief Finance Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The Chief Finance Officer will also ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

6. REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION

The Board of Governors will receive a report on the activities of the treasury management operation at least once per year. The report should include:

- Performance of the investment portfolio,
- The location of the invested funds,
- The status of the loan portfolio, including interest rate management.

The University monthly management accounts will include a cashflow statement that shows a reconciliation from the income and expenditure surplus/deficit to cash balances, for year to date actuals and the full year forecast against budget. A rolling 12 month cashflow forecast in graphical form will also be included together with full commentary on the University's cash flow position.

The management accounts will also include the University's financial covenants for its lenders against the following headings, Prior Year End, Full Year Forecast, Covenant Target and whether the covenant is forecast to be compliant at the year end.

The University management accounts will also include the following treasury related KPIs to be reported on a monthly basis:

- Cash and short term investment balances
- Net Liquidity (days expenditure held in cash balances)
- Current ratio (current assets : current liabilities)
- External borrowing (on balance sheet) as % of income
- Borrowings as % of endowments and reserves
- Operating cash flow as % of total income

These KPIs will report against the following headings Year to Date Actual, Full Year Budget, Full Year Forecast and Prior Year Actual on a monthly basis.

7. CASH AND CASH FLOW MANAGEMENT

The Chief Finance Officer will have responsibility for the cash management of the University and its subsidiaries as defined under this policy.

Cash flow projections will be prepared and updated on a monthly basis, and the Chief Finance Officer will ensure these are adequate for the purposes of monitoring compliance with treasury management practice on liquidity risk management.

Cashflow forecasts are reported to the Senior Leadership Team and Board of Governors on a monthly basis in accordance with the reporting requirements under section 6.

8. MONEY LAUNDERING

The University is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will ensure that all staff involved are properly trained and fully aware of the University's Anti-Money Laundering Policy.

9. STAFF TRAINING AND QUALIFICATIONS

The University recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will, therefore, seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Chief Finance Officer will recommend and implement the necessary arrangements.

10. USE OF EXTERNAL SERVICE PROVIDERS

The University recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. It will further ensure, where feasible and necessary, that a spread of service providers is used to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, the University's Procurement Policy will always be observed. Where external service providers are appointed with the responsibility for day-to-day treasury matters, the University will retain full responsibility for the safeguarding of its funds and setting the treasury strategy.

SCHEDULE A – RISK MANAGEMENT

Risk	Description of the risk	University response to the risk
Credit and Counterparty Risk	The risk of failure by a counterparty to meet its contractual obligations to the University under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the University's capital or current (revenue) resources.	<p>The University regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques listed in Schedule B. The list will be reviewed on an ongoing basis by the Chief Finance Officer.</p> <p>The Chief Finance Officer will have the power to temporarily remove (and then to reinstate) any counterparty if any current issues should result in doubts over that counterparty's ability to repay funds.</p>
Liquidity Risk	The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs and that the University's business objectives will be thereby compromised.	<p>The University will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business objectives.</p> <p>Accordingly, the Chief Finance Officer is authorised to arrange short-term overdraft facilities with the University's bankers.</p>
Interest Rate Risk	The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the University's finances, against which the University has failed to protect itself adequately.	The University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues while maintaining the security of the invested funds. It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
Exchange Rate Risk	The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the University's finances, against which the University has failed to protect itself adequately.	The University will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. The University will normally only retain funds in currencies to the extent that payments are due to be made in these currencies. This will be

SCHEDULE A – RISK MANAGEMENT

Risk	Description of the risk	University response to the risk
		reviewed quarterly and any currency balances surplus to requirement will be transferred into sterling at the best rate achievable at that time.
Refinancing Risk	The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the University for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.	<p>The University will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the University as can reasonably be achieved in the light of the market conditions prevailing at the time.</p> <p>It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.</p>
Legal and Regulatory Risk	The risk that the University itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the University suffers losses accordingly.	The University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements.
Covenant Breach Risk	The risk that the University fails to meet terms set by lenders which leads to default of loans and the resulting withdrawal of credit facilities.	The University will monitor its loan covenant compliance on an ongoing basis appropriate to the risk. The Chief Finance Officer will report monthly to the Board of Governors and Senior Leadership Team on forecast loan covenant compliance in the monthly management accounts. The University will seek to minimise the security requirements of new debt and maximise the opportunity of the existing debt portfolio.

SCHEDULE B – TREASURY MANAGEMENT PRACTICES

Approved instruments, methods and techniques

1. Credit and Counterparty lists

Security of the University's funds will be achieved by restricting the placement of funds using the following criteria:

UK banks and building societies

- Short and long term credit ratings and outlooks from Fitch, Moody's and Standard and Poor's are considered and placements will be restricted to organisations that have a minimum credit rating at ALL credit rating agencies of:

	Fitch	Moody's	Standard & Poor's
Short Term	F1	P-1	A-1
Long Term	A	A2	A

- Where an institution has no short term rating, then the long term rating should be fully compliant.
- Investments with a single banking group shall not exceed £10 million. (For example, as Lloyds and Bank of Scotland are in the same banking group, the counterparty limit may be split across both institutions but may not exceed the limit in total)
- Cash balances up to £5m held with the University's clearing bank will in addition to the counterparty limit.
- Where ring-fencing exists within a banking group, any funds must be placed with the ring-fenced bank.

Overseas Institutions

- Short and long term credit ratings and outlooks from Fitch, Moody's and Standard and Poor's are considered and placements will be restricted to organisations that have a minimum credit rating at ALL credit rating agencies of:

	Fitch	Moody's	Standard & Poor's
Short Term	F1+	P-1	A-1+
Long Term	AA-	Aa3	AA-

- Where an institution has no short term rating, then the long term rating should be fully compliant.
- Investments with a single banking group shall not exceed £5 million.

Money Market Funds

- Money Market Funds must be AAA rated by at least one of Fitch, Moody's and Standard and Poor's. If a fund is rated by more than one agency, then all ratings must be AAA.
- Any individual Money Market Fund must not have more than 5% exposure to a single banking institution.
- Money Market Funds may consist of assets from non-UK banking institutions.
- Investments with a single Money Market Fund shall not exceed £20m

2. Investing and depositing surplus funds

The overriding principle is to avoid risk rather than to maximise return. The criterion is therefore for security, liquidity and yield, in that order.

- The Chief Finance Officer is responsible for the investment of available monies in accordance with the policy.
- Available monies can only be invested with organisations that fit the counterparty limits detailed in Schedule B Section 1.
- The credit ratings of organisations will be monitored monthly using external sources of information such as credit agency reports. In addition, when a new investment is placed, the credit rating for that counterparty will be checked.
- The use of money brokers and other similar agencies in the placement of funds is permitted.
- Funds may only be invested in investment vehicles which guarantee the security of the original capital sum.
- Investment decisions shall be made with reference to the following:
 - No single investment shall be placed for a period greater than one year.
 - Where an investment is made in a Money Market Fund that includes assets from a permitted single counterparty, the maximum limit for that single counterparty is reduced by 5%
 - University cash flow requirements
 - Highest available investment yield

3. Banking Services

Banking Services provided by the University's bankers should be formally defined and there should be consideration for the following factors:

- Authority for the appointment of bankers and responsibility for banking arrangements is as defined within the Financial Regulations.
- The Banking Services will be market tested every 3 years to decide whether the banking services in conjunction with bank charges represent value for money.
- Banking Services will be monitored to ensure that the services provided are in accordance with the contract and are of a satisfactory standard.
- Bank charges will be monitored as they occur to ensure that they are in accordance with the contract.
- An annual review will be carried out to determine the suitability of banking services provided and the number and operation of bank accounts held.

4. Drawdown of loan facilities

Undrawn loan facilities, which are to be used for capital investment purposes, should be drawn down in accordance with spend profile of capital projects to minimise the interest cost.

Undrawn revolving credit facilities, which are to be used to support the University's short term cash flow requirements, should only be drawn down when cash on instant access accounts are forecast to fall below £1m in the following seven days.

5. Refinancing

The Chief Finance Officer is authorised to approach any bank or financial institution in the UK regarding the raising of capital finance.

The Chief Finance Officer will prepare a report for approval by the Board of Governors for each proposed new financing event. The report will include the following:

- Borrowing Requirements
- Purpose (with cash flows)
- Proposed Lender
- Interest Rate Structure (e.g. fixed, variable, variable with options to fix, linked)
- Interest Rate – plus lender's margin
- Arrangement Fees
- Comparisons with alternatives
- Legality
- Arrangements for compliance with the Office for Students' Conditions of Registration
- The level of security required
- Any restrictions on the institution's use of its property assets required by existing covenants
- Any other matters which might assist the Board of Governors in considering the proposal.

The Chief Finance Officer will report at least once annually with analysis of all currently outstanding loans.

The Chief Finance Officer will ensure that existing borrowing is market tested on a 3 year basis to ensure that value for money is being achieved.

6. Responsibilities, reporting and review

The Chief Finance Officer will delegate daily management and execution of investment transactions to appropriate staff in the Finance Department.

The Chief Finance Officer will ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the Treasury Management function.

The Senior Finance Manager will report monthly to the Chief Finance Officer on investment performance.

The Chief Finance Officer shall report to the Board of Governors at least once in each financial year on the activities of the treasury management operation.