

The Treasury Management Policy Statement

The University defines its treasury management activities as:

“The management of the University’s investments and 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.” For the purposes of this policy, permanent endowment funds are excluded from consideration. A separate policy applies to such long term funds.

The University regards 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. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the University.

The University acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

This Policy will be reviewed annually by the Finance Committee.

Treasury Management Practices

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP5	Reporting requirements and management information arrangements
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TMP1 Risk management

General statement

The Director of Finance and Planning will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report to the Finance Committee 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. Responsibility for day to day treasury management

activities will be delegated to appropriate staff within the Finance Division in line with the Schedule to this policy. In respect of the following risks, where applicable, the arrangements which seek to ensure compliance with these objectives are also set out in the Schedule to this document.

Credit risk management

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 as recommended in the CIPFA Code of Practice and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Liquidity risk management

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.

Interest rate risk management

The University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided for in its budget.

Exchange rate risk management

The University will retain funds in currencies only to the extent that payments are due to be made in these currencies. Currency receipts surplus to this will be transferred into sterling at the best rate achievable, but always retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous, changes in the level of exchange rates.

Refinancing risk management

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 market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

Legal and regulatory risk management

The University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under credit risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with the University, particularly with regard to duty of care and fees charged.

The University recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the University.

Fraud, error and corruption, and contingency management

The University will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Market risk management

The University will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.”

TMP2 Performance measurement

The University is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the University stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria as set out in the Schedules to this document.

TMP3 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. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP4 Organisation, clarity and segregation of responsibilities, and dealing arrangements

The University considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the 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 a 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.

If and when this organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Director of Finance and Planning will ensure that the reasons are properly reported, and the implications properly considered and evaluated.

The Director of Finance and Planning will ensure that at all times those engaged in treasury management will follow the policies and procedures set out and that arrangements are in place for absence cover. The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

TMP5 Reporting requirements and management information arrangements

The University will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Finance Committee will receive an annual report on the performance of the treasury management function and the approach being taken for the coming year. This would include details of any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

TMP6 Budgeting, accounting and audit arrangements

The Director of Finance and Planning will prepare an annual budget, which will include income, and costs associated with treasury management activities.

The Director of Finance and Planning will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP5 Reporting requirements and management information arrangements.

The University will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements during the applicable period.

TMP7 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the Director of Finance and Planning, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis. The attached schedule provides detail on the approach to cash and cashflow forecasting.

TMP8 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 maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP9 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.

TMP10 Use of external service providers

The University recognises that whilst at all times responsibility for treasury management decisions remains with the University there is 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 ensure, where feasible and

necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

Schedules to the statement of the treasury management practices

Risk management

Liquidity

The Director of Finance and Planning is authorised to arrange short-term overdraft facilities with the University's bankers.

Exchange rate exposure policy

The University seeks to ensure that it is not exposed to significant exchange rate fluctuations by matching its foreign exchange transactions. The effect of this is that current assets denominated in foreign currency are only held to the extent that they are expected to be expended in the same currency. Foreign currency dealings should be entered into only for the transaction of normal university business, and under no circumstances is it permissible for foreign currency transactions to be used on a speculative basis.

In general, all transactions entered into by the University should be on the basis that income and receipts will be denominated in Sterling. Any agreed currency receipts should be transferred into sterling within one month of receipt, except where matching currency payments are expected to be made within the next six months. In this situation, sufficient currency should be retained on deposit to cover the payments.

The Director of Finance and Planning is authorised to buy and sell currencies in line with this policy, and to delegate responsibility to appropriate finance staff.

Credit and counterparty lists

The Director of Finance and Planning is responsible for monitoring closely the credit standing of approved counterparties. Where he/she has reason to believe that a counterparty's credit standing is or may become impaired he should apply lower limits than set out below or cease to use them. Any change to the counterparty list should be advised to the Finance Committee.

The Director of Finance and Planning is authorised to deposit surplus funds of the institution with, and purchase certificates of deposit issued by, any of the organisations referred to below, to ensure that the primary objectives of safeguarding the university's assets and limiting its risk are balanced with the achievement of a satisfactory return.

Counterparties	Limit 1	Limit 2 (*)
UK Bank	£30 million	£33 million
Overseas banks	£7 million	£7 million
UK Building Society (Assets > £20 billion)	£7 million	£10 million
UK Building Society (Assets >£2 billion)	£4 million	£6 million
UK Building Society (Assets >£1billion)	£2 million	£3 million

Limits apply to the principal deposit, excluding interest.

* These higher limits apply where the excess over Limit 1 relates to funds held on behalf of LCIF.

Note: At the time of placing funds on deposit, the minimum acceptable Fitch ratings for approved counterparties shall be no lower than A for long term investment (greater than 365 days), and F1 for short term investments. Counterparties which are not rated by Fitch will be considered on an individual basis for approval by the Finance Committee.

Performance measurement

In-house performance

The benchmark for interest earned on self-managed funds will be:

Term	Benchmark rate
Instant access	Base rate less 0.2%
<= 1 month	Base rate
<= 3 month	Base rate plus 0.25%
<= 6 month	Base rate plus 0.5%
<= 12 month	Base rate plus 0.75%
> 12 month	Base rate plus 1%

Actual deposit rates compared to benchmark are reported in the treasury report which is presented at each Finance Committee meeting.

Approved instruments, methods and techniques

Investment and deposit of surplus funds

The over-riding principle guiding the investment of surplus funds is to ensure that the primary objectives of safeguarding the university's assets and limiting its risk are balanced with the achievement of a satisfactory return.

Surplus cash balances may be invested as follows:

- Deposits with approved banks;
- Deposits with approved Building Societies;

These investments, which should have a maximum maturity of 3 years, are limited to organisations that meet the criteria as approved by the University's Finance Committee.

Organisation, segregation of responsibilities and dealing arrangements.

Responsibilities in relation to treasury management

(i) University Council

- Review treasury management performance through the regular reports and feedback from the Finance Committee, to which it has delegated responsibility for setting policy and monitoring performance.

(ii) Finance Committee (Committee of Council)

- Exercises delegated responsibility from Council to approve the University's treasury management policy statement and treasury management practices;
- Receiving and reviewing reports on treasury management policies;
- Budget consideration and approval;
- Approving the criteria for the selection of external service providers and agreeing terms of appointment if appropriate.

(iii) Audit Committee

- Receiving and reviewing internal and external audit reports, and monitoring the effective and timely implementation of recommendations.

(iv) Director of Finance and Planning

- Recommending amendments to the treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Submitting budgets and budget variations;
- Receiving and reviewing treasury management performance information;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Recommending the appointment of external service providers where appropriate.

(v) Treasury Operations

- Execution of transactions, retaining evidence in support of the investment decision in the form attached;
- Adherence to agreed policies and practices on a day-to-day basis;
- Maintaining relationships with third parties and external service providers;
- Monitoring the credit standing of counterparties to ensure these meet the limits set out above.
- Monitoring performance on a day-to-day basis;
- Submitting management information reports to the Director of Finance and Planning;
- Identifying and recommending opportunities for improved practices;
- Maintaining cash flow projections, in order to manage liquidity risk and ensure adequate funds are available;
- Primary responsibility rests with the Income, Treasury and Tax Business

Partner and the Associate Director of Financial Accounting.

Reporting requirements

The following matters are reported on at each Finance Committee Meeting in the Treasury Report.

- Market overview, major currencies exchange rates, covenant details;
- Current loans and revolving credit facility details;
- Cash levels, fixed term deposits and call accounts details;
- Rolling actual 12 months total cash levels and 3 months total cash forecast.

The items below will be included on the treasury report for Finance Committee by exception when necessary:

- Review and any proposed amendments to the treasury management policy;
- Matters in respect of which the treasury management policy statement has not been complied with;
- Proposed amendment to approved counterparties.

Cash and cashflow forecasting

Weekly:

Cash flow forecasts will be prepared on a weekly basis at a daily level. This will be used to establish the level of surplus cash for placing on deposit and the period for which it can be lodged. The Director of Finance and Planning should be specifically alerted to all forecast negative cash balances. Short-term shortfalls will normally be met from overdraft facilities.

Monthly:

A summary of the actual total cash/deposit balance will be reported in the monthly treasury report for a 12 month rolling period and it will include a 3 months forecast. This will be overseen by the Director of Finance and Planning.

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