

## TREASURY MANAGEMENT POLICY

### 1. Introduction

- 1.1 This document seeks to set out the University's treasury management policy which has been drawn up after consideration of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.
- 1.2 The CIPFA published 'Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance notes (2021 Edition) includes a number of broad guidelines and recommendations which are followed and adopted by Higher Education Universities.
- 1.3 The recommendations of the above Code are numerous and CIPFA recommends that Universities should implement it in a manner most appropriate to its circumstances.

### 2. What is Treasury Management?

- 2.1 Treasury Management should be operated in relation to:

- the University's strategic plan;
- the revenue budget and capital programme;
- the estates strategy
- working capital management, including debt collection and policy on creditor payments, including payroll;
- cash flow forecasts

It covers the following key areas:

#### Cash flow management

- 2.2 Managing day-to-day cash balances at the bank, investing surplus funds as required and cash flow forecasting and management.

#### Investing cash deposits

- 2.3 The investment of surplus funds in short-term cash deposits (up to a maturity of 12 months) to maximise investment income. This version of the treasury management policy does not include the investment of longer-term fixed income, equities or other non-cash investments.

#### Borrowing

- 2.4 This requires compliance with the Universities regulator's (the Office for Students) rules regarding approval for any secured or unsecured loans that go beyond the general consent levels set out in the financial memorandum.

#### Foreign Exchange

- 2.5 The international nature of operations results in a number of foreign exchange transactions that could result in foreign exchange gains or losses. Currently at the University these are relatively small transactions.

### **3. Treasury Management Policy**

3.1 The University defines its treasury management activities as:

“The management of its cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

3.2 It 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 its risk implications.

3.3 It 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 best value in treasury management and to employing suitable performance measurement techniques, within the context of effective risk management.

### **4. Treasury Management Practices (TMP's)**

4.1 CIPFA recommends that an organisation's TMPs include those that are relevant to its treasury management powers and the scope of its treasury management activities:

#### Risk Management

4.2 The Pro Vice Chancellor (Finance & Resources) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will 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 organisation's objectives in this respect.

4.3 In respect of each of the following risks the operational arrangements made to ensure compliance are set out in appendix A:

4.3.1 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/service objectives.

4.3.2 Interest rate risk management – The University will ensure that it protects itself adequately from fluctuations in the levels of interest rates that can create an unexpected or unbudgeted burden on the organisation's finances.

4.3.3 Exchange rate risk management – The University will ensure that it protects itself adequately from fluctuations in foreign exchange rates that can create an unexpected or unbudgeted burden on the organisation's finances.

4.3.4 Inflation risk management – The University will manage its exposure to fluctuations in inflation so as to minimise any detrimental impact on its budgeted income / expenditure levels.

- 4.3.5 Credit and counterparty risk management – The University regards a prime objective of its treasury management activities to be the security of 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.
- 4.3.6 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 organisation 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. The Board of Governors is responsible for approving any changes to the existing loan or capital finance structure, on the recommendation from the Finance and Development Committee. The operation of any current loan facility the University has undertaken is reported to the Finance and Development Committee in detail by the Pro Vice Chancellor (Finance & Resources) at a committee meeting.
- 4.3.7 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. 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 organisation.
- 4.3.8 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. Please see the University's Fraud Policy for further details [Policies and Procedures](#).
- 4.3.9 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.

#### Best value and performance measurement

- 4.4 The University is committed to the pursuit of best value in its treasury management activities.
- 4.5 The Governing Body is responsible for the appointment of the University's bankers, other professional financial advisors (such as investment managers) on the recommendation of the Finance and Development Committee.

- 4.6 The University's Head of Procurement produces a Value for Money and Annual Report to Audit Committee.
- 4.7 Short term investment performance is currently measured by comparing the actual interest earned against interest that would have been earned had it been left in the interest-bearing current account.

Decision-making and analysis

- 4.8 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 the 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.
- 4.9 The University will keep full details relating to any decisions relative to its funding, borrowing and lending and these shall be approved by the Finance and Development Committee and the Board of Governors and minuted accordingly.
- 4.10 The University's Financial Regulations and Schedule of Delegation contain details of its protocols regarding capital projects.

Organisation, clarity and segregation of responsibilities and dealing arrangements

- 4.11 The University considers it essential, for the purposes of the effective control and monitoring of 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 clarity of treasury management responsibilities.
- 4.12 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.
- 4.13 If and when the University intends, as a result of lack of resources or other circumstances, to depart from these principles, the Pro Vice Chancellor (Finance & Resources) will ensure that the reasons are properly reported, and the implications properly considered and evaluated.
- 4.14 The Pro Vice Chancellor (Finance & Resources) will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.
- 4.15 The Pro Vice Chancellor (Finance & Resources) will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

Reporting requirements and management information arrangements

- 4.16 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

transaction 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; on the performance of the treasury management function.

- 4.17 As a minimum the Pro Vice Chancellor (Finance & Resources) will provide to the Finance and Development Committee:
- An annual report on the strategy and plan to be pursued in the coming year;
  - An annual report on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management practices.

#### Budgeting, accounting and audit arrangements

- 4.18 The University will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

#### Cash and cash flow management

- 4.19 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the Pro Vice Chancellor (Finance & Resources) and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Pro Vice Chancellor (Finance & Resources) will ensure that these are adequate for the purposes of monitoring liquidity risk.

#### Money laundering

- 4.20 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. Please see the University's Anti Money Laundering and Counter Terrorist Financing Policy [Policies and Procedures](#).

#### Staff training and qualifications

- 4.21 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.

#### Use of external providers

- 4.22 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 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 also ensure, where feasible and necessary, that a spread of providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to a formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Pro Vice Chancellor (Finance & Resources).

Corporate governance

- 4.22 The University is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management functions, and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 4.24 The University has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements, are considered vital to the achievement of proper corporate governance in treasury management, and the Pro Vice Chancellor (Finance & Resources) will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

<b>Owner</b>	Rob Bonham – Pro Vice Chancellor (Finance & Resources)
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## Appendix A - Schedules to accompany The University's Treasury Management Practices

### Risk Management

#### Liquidity Risk Management

- The University, through the annual budgetary process, will ensure that appropriate charges and tuition fees are set at levels which reflect expected inflationary effects. Charges for accommodation, tuition fees and bursaries will be approved by the Fees, Scholarships and Bursaries Committee. In practice such fees are set annually and would not normally be revised during the year.
- The Pro Vice Chancellor (Finance & Resources) and designated members of staff are authorised to arrange the investment of surplus funds of the University as set out in the table below:

Role	Limit
Investments over 3 months, or over £10m with Barclays Treasury Deposit and All Other Investments	
Vice Chancellor & CEO Pro Vice Chancellor (Finance & Resources)	
Investments up to 3 months with Barclays Treasury Deposit	
Principal Accountant – Operations	>1month - Liquid Funds less £10m <1month – as liquid funds allow

- The University does not have, and has no current need for, a formal overdraft facility with its main bankers Barclays Bank, however, it does have a daylight overdraft limit.

#### Interest rate risk

- The University will incorporate in its budgets and cash flows, the effect of fluctuating interest rates where appropriate.

#### Exchange rate risk

- It is unlikely that fluctuations in foreign exchange rates would create a significant unexpected burden on the University's overall finances. Monies are received in US Dollars in respect of American Loans disbursed to students. These monies are deposited into a USD Current account and excess monies transferred to a USD premium account. USD are used to pay USD liabilities as and when they arise. Limited funds are received in Euros and are used to pay Euro liabilities as and when they arise. Balances, exchange rates and anticipated need for USD or Euros should be reviewed on a regular basis and at least every financial year-end. Otherwise, all funds are held in sterling and therefore exchange risks are minimal. Payments due in non-Euro or non-USD are paid at the exchange rate given on the day by the remitting Bank.
- The University is committed to best value in reducing charges relating to foreign currency transactions.
- The University does not currently enter into any currency hedging or similar arrangements due to the low volume of activity. Any schemes for currency hedging or similar will be presented to the Finance and Development Committee for approval.

### Inflation risk

- The effects of inflation in so far as they impact on treasury management activities will be taken into account by the University as part of the annual budget calculation, including the effect of fees for areas such as tuition, accommodation and research.

### Credit and counterparty risk

- The University regards a prime objective of its treasury management activities to be the security of the amounts invested.
- Accordingly, the Governing Body is responsible for the appointment of the University's bankers and other professional financial advisors (such as investment managers) on the recommendation of the Finance and Development Committee. The appointment shall be for a specified period after which consideration shall be given by the Finance and Development Committee to competitively tender the service.
- Approved counterparties. All traditional UK clearing banks are considered to be approved counterparties since all are regulated by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). Any counterparty should also be a member of the Financial Service Compensation (FSCS). A limit of funds to be invested long-term and outside of Barclays' Treasury Deposits with any one approved counterparty of £10 million has been set and approved by the Finance and Development Committee as part of this Treasury Management policy. This level may be exceeded at the discretion of the Pro Vice Chancellor (Finance & Resources).

### Cash and cash flow management

- A Cash flow projection is prepared on a monthly basis and the bank reconciliation is performed on a daily basis.
- The figures used for the calculation of daily cash transactions will be those supplied by Lloyds Bank via Lloyds Link and Barclays Bank via B.Net.
- Creditor terms – the University's policy is to pay 30 days after receipt of goods or services. In some instances, this may be varied e.g. where staged payments have been agreed and the overall payment terms are periodically reviewed to ensure that they adhere to both best practice as well as efficient cash management operation.
- Debt management – the University is committed to collecting monies due in a prompt and efficient way. Invoices are generally due within 30 days of the invoice date. Full details of the UoW's debt management policy in relation to tuition and accommodation fees can be found on [Policies and Procedures](#).