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1. **Introduction**

This Treasury Management Policy establishes the parameters for the management of University funds available for short term investment.

Treasury Management in the context of this policy is defined as the management of all University bank balances and includes funds available for investment for up to one year, from general University revenue and capital receipts, endowment funds, subsidiary companies and foreign accounts.

2. **Overview**

Treasury Management is a central function of the University managed by the Finance Directorate and in relation to this policy involves;

- **Cash flow management**
  Managing day to day balances at the bank, investing surplus funds as required, cash flow forecasting and management.
- **Investing cash deposits**
  Investing surplus funds via a professional appointed Investment manager, using approved banks, on a short term basis typically from overnight up to 1 year.
- **Management of foreign accounts**
  Managing balances in foreign currency accounts and exposure to foreign currency fluctuations.

 Longer Term investments (over 1 year) are subject to a separate Long Term Investment Policy and these funds are managed externally by an appointed Investment Broker.

University external borrowing is also subject to a separate policy.

3. **University objectives**

- **To effectively identify, manage and control treasury risk.**
- **To manage current account balances so appropriate funds are available to meet day to day operational requirements.**
- **To safeguard University cash balances through effective management and control of funds.**
- **To maximise returns from the short term investment of University cash balances within the constraints and risk tolerances established by this Policy.**

4. **Treasury Management Reporting**

The Treasury Management Policy will be reviewed on an annual basis but if necessary on a more frequent basis should economic conditions so dictate. The University Investment Group will be responsible for overseeing review of the policy.
Appointed Investment managers will provide a schedule of banks and building societies agreed to accept short term deposits in accordance with this policy. The Finance management team will also maintain an ongoing record of investment balances, bank credit ratings and outlook.

A full report of balances and ratings will be included in monthly financial management information packs for reporting to the University Financial Group.

5. **Risk Management**

The identification, monitoring and control of risk are key criteria for measuring the effectiveness of Treasury Management. The analysis and reporting structure will therefore focus on a risk based approach to monitoring investment decisions and performance against policy objectives. Key risks to be monitored will include;

- **a) Liquidity risk**
  Ensuring adequate but not excessive cash resources are available at all times for everyday business activities.

- **b) Investment risk**
  A key objective is to maximise returns on short term investment but within a control framework that will ensure the security of investment funds. The policy and management of funds therefore need to ensure risk is diversified and deposited with secure and stable organisations. The credit rating criteria established by this policy will be applied when selecting organisations for placement of investments. Appropriately appointed advisors and brokers may also be used to provide expert market advice.

- **c) Interest and exchange rate risk**
  Funds need to be managed to reduce exposure to fluctuations in rates and avoid detrimental impacts on budgets.

- **d) Legal and Regulatory risk**
  The University will ensure all of its Treasury Management activities comply with its statutory powers and regulatory requirements.

- **e) Irregularity risk**
  Circumstances that may expose dealings to risk of loss through fraud, error or corruption will be identified and managed through an appropriate system of internal control and contingency management.

- **f) Decision making risk**
  Records will be maintained of all Treasury Management decisions and of the process and practices applied in reaching those decisions. This to ensure lessons are learned from past decisions and for demonstrating that reasonable steps were taken at the time as an audit trail.

6. **Constraints**

The following constraints are mandatory in the placement of all short term investments and must be understood by all officers involved in Treasury Management activities and by any appointed Investment managers working in conjunction with the University.
a) Funds may only be invested for a time horizon of up to 12 months
b) The maximum value to be placed with any one organisation is £4,000,000.
c) With regard to the main University current account with Lloyds Banking Group the limit to be held in the current accounts is £10,000,000, to facilitate day to day operations.
d) Organisational credit ratings to be a minimum of Standard and Poors AA-
e) Approved exceptions to (d above) are Royal Bank of Scotland and the Nationwide Building Society
f) Short term Investments should not be held with Lloyds Banking Group over and above funds held in current accounts.

7. Constraint exceptions

The constraints established by this policy may be amended or relaxed on a temporary basis for exceptional circumstances with the approval of the Investment Group. Should ratings deteriorate following the placement of an investment the circumstances will be reported promptly with Investment Advisor recommendations to the Head of Finance, the Deputy Vice Chancellor Planning & Resources, the Vice Chancellor and the Treasurer.

8. Delegated Authority

Authority to place short and medium term investments in accordance with this policy and subject to approval at section 4 above is restricted to officers specified on the University’s current account bank mandate. Authorisation is required from two officers for all investments one of which must be a category A signatory. These being the Vice Chancellor, Deputy Vice Chancellor Planning & Resources & Resources, Head of Finance and the Governance & Risk Accountant.

All proposed investment decisions and any amendments in credit ratings will be reported to the Head of Finance for advance approval.

9. Appointment of Brokers and Advisors

Investment brokers and advisors may be used by the University to provide investment advice, provide rates or broker investment deals with banks. These brokers and advisors must be FSA regulated with Higher Education sector experience. The appointment process must comply with the procurement policy and satisfactory references are required from other Universities.

10. Policy Review

This policy will be subject to review by the Finance Directorate on at least an annual basis with any recommendations being reported to the Investment Group.
11. References

This policy has been developed through discussion with the University’s investment advisors and brokers, Stanhope Jewson and Newton Investment Managers.