

## University of Liverpool TREASURY MANAGEMENT POLICY

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<b>Linked Documents</b>	Bank Account and Payment Authorisation Policy, Ethical Investment Policy		
<b>Does this replace any previous policies?</b>	Yes, TREASURY MANAGEMENT POLICY 1.0, dated December 2023		
<b>Consultation</b>	Targeted consultation with CFO, technical consultation with Finance Team Members and SLT. Including all aspects of Governance and Sustainability		
<b>Equality Impact Assessment</b>	No impact noted during development of the policy.		
<b>Regulatory/ Compliance</b>	<p>Compliance with relevant regulatory matters including PCI -DSS PCI Security Standards Council – Protect Payment Data with Industry-driven Security Standards, Training, and Programs</p> <p>CIPFA’s Treasury Management in the Public Services Code of Practice (the Code)</p>		
<b>Data Protection</b>	There are no data protection concerns, assurance and adherence against The Data Protection Act 2018. Data Protection Impact Assessment has been completed (Stage 1 – Ref 11924).		

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## University of Liverpool

### TREASURY MANAGEMENT POLICY STATEMENT

This statement sets out the policies, practices and objects of The University of Liverpool and subsidiary undertakings treasury management activities, as agreed by the Council of the University.

1. The University of Liverpool adopts the key recommendations of CIPFA's Treasury Management in the Public Services Code of Practice (the Code).
2. The University of Liverpool defines its treasury management activities as:  

The management of the University's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risk associated with those activities, and the pursuit of optimum performance consistent with those risks.
3. The University of Liverpool regards the successful identification, monitoring and control of risk to be the prime criteria by which effective treasury management will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the organisation, and any financial instruments entered into to manage these risks.
4. The University of Liverpool acknowledges that effective treasury management will provide support towards the achievement of its business 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.
5. The Treasury Management Policy will be reviewed and updated every two years by the Head of Finance Operations. It will then be submitted to SLT, Finance and Resources Committee and Council for final approval.
6. The above statement, together with the **Treasury Management Practices (TMPs)** on pages 4-11 and the **Schedule to the Statement of Treasury Management Practices** on pages 12-19 constitute University of Liverpool's Treasury Management Policy.

## TREASURY MANAGEMENT PRACTICES AND SCOPE

### TMP1 Risk management

#### **General Statement**

The Chief Financial Officer has overall responsibility for the design, implementation and monitoring of all arrangements for the identification, management and control of treasury management risk and will report to the Finance and Resources 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 institutions objectives. In respect of the following risks, where applicable, the arrangements which seek to ensure compliance with these objectives are set out in the Schedule to this document.

#### **1.1 Liquidity risk management**

Liquidity risk is defined by the CIPFA Code of Practice as the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs and that the institution's business objectives will thereby be compromised.

The University of Liverpool 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.

#### **1.2 Interest rate risk management**

Interest rate risk is defined by the CIPFA Code of Practice as the risk that fluctuations in the levels of interest rates have an adverse effect on the institution's finances, against which the institution has failed to protect itself adequately, or a favourable effect which is missed.

The University of Liverpool will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues in accordance with its treasury management policy and strategy and 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 whilst 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. Matters to be considered when establishing interest rate risk include:

- The current level and structure of interest rates

- Current interest rates compared with the historical level
- Estimates of future movements in the level and structure of interest rates and the sensitivity of the Statement of Comprehensive Income (SoCI) to fluctuations in future interest rates compared to forecast.

### **1.3 Exchange rate risk management**

Exchange rate risk is defined by the CIPFA Code of Practice as the risk that fluctuations in foreign exchange rates have an adverse effect on the institution's finances, against which the institution has failed to protect itself adequately, or a favourable effect which is missed.

The University of Liverpool will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels by retaining funds in currencies only to the extent that payments are due to be made in those currencies in the short to medium term. Currency receipts surplus to this will be translated into sterling at the best rate available timed to allow advantage to be taken of actual and potential advantageous changes in exchange rates.

### **1.4 Counterparty credit risk management**

Counterparty credit risk is defined by the CIPFA Code of Practice as the risk of failure of a third party to meet its contractual obligations to the institution under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the institution's capital or revenue resources.

The University of Liverpool regards the key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its Counterparty minimum criteria are set with security in mind, whilst also allowing the most to be made of market conditions. The criteria will be reviewed on a continuing basis.

In addition, the University of Liverpool integrates Environmental, Social, and Governance (ESG) principles into treasury management activities in support of commitments set out in Sustainability Strategy 2025-31. ESG factors are considered alongside financial risk when selecting investment counterparties. Preference will be given to institutions and instruments demonstrating strong ESG performance. Treasury reports will include reference to considerations in decision making in relation to ESG investments. ESG criteria will be reviewed regularly to ensure alignment with strategy, best practices and regulatory requirements.

### **1.5 Inflation Risk Management**

Inflation risk is defined by the CIPFA Code of Practice as the risk that cash flows from an investment will not be worth as much in the future because of changes in purchasing power due to inflation.

The University of Liverpool will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of inflation exposures.

### **1.6 Refinancing risk management**

Refinancing risk is defined by the CIPFA Code of Practice as the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the institution for those refinancing, both capital and revenue, and/or that the terms are inconsistent with prevailing market conditions at the time.

The University of Liverpool will ensure that its borrowing and other long term liabilities 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.

### **1.7 Legal and regulatory risk management**

Legal and regulatory risk is defined by the CIPFA Code of Practice as the risk that the institution itself, or a third party 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 institution suffers loss accordingly.

The University of Liverpool 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 who deal 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 manage the risk of these impacting adversely on the University.

### **1.8 Operational risk, including fraud, error and corruption**

This risk is defined by the CIPFA Code of Practice as the risk that an institution fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings.

The University of Liverpool will ensure that it has identified these circumstances which may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, we will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

## **1.9 Price risk management**

Price risk is defined as the risk that, through adverse market fluctuations in the valuation of the principal sums invested by an institution, its stated Treasury Management Policy is compromised, against which it has failed to protect itself adequately.

The University of Liverpool will seek to ensure that its stated Treasury Management Policy will not be compromised by adverse market fluctuations in the value of the sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

### **TMP2 Performance measurement**

The University of Liverpool 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.

Accordingly, the Treasury Management Function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements. The performance of the Treasury Management Function will be measured using the criteria set out in the schedule to this document. The criteria will include measures of effective treasury risk management and not only financial performance.

### **TMP3 Decision making and analysis**

The University of Liverpool 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 accountability, e.g. demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered 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 Approved instruments, methods and techniques**

The University of Liverpool will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits herein approved by Finance & Resources Committee.

## TMP5 Organisation, clarity and segregation of responsibilities and dealing arrangements

The University of Liverpool 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 is based is a clear distinction between those charged with setting the Treasury Management Policy and those charged with implementing and controlling the Policy, 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 the organisation intends, as a result of lack of resources or other circumstances, to depart from these principles, the Chief Financial Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The Chief Financial Officer will ensure that there are clear responsibilities for each post engaged in treasury management, and that there are arrangements for absence cover. The Chief Financial Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. These arrangements are detailed in the schedule to this document.

The Chief Financial Officer will ensure there is proper documentation for all deals and transactions and that procedures exist for the effective and accurate transmission of funds to and from Counterparties.

## TMP6 Reporting requirements and management information

The University of Liverpool will ensure that regular reports are prepared and considered on the implementation of its Treasury Management Policy; on the effects of decisions taken and transactions executed in pursuit of its Policy; 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 organisation (i.e. Council) will receive:

- 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; during the previous 12 months. Including any circumstances of non-compliance with the University's Treasury Management Policy Statement and TMPs

- Regular cash flow and deposit information.
- Exception reports on a timely basis of any breach or potential of the organisation's financial covenants with lenders,
- Regular Investment Performance Report. This report includes details of how appointed external service providers have performed if applicable.
- Formal requests to change or update The University's Treasury Management Policy.

Reports and formal requests are initially presented to the Investment Sub-Committee for consideration and then forwarded to the Finance and Resources Committee for approval, reports of the Finance and Resources Committee are presented to Council for approval. The Investment Sub-Committee reports to the Finance and Resources Committee twice a year.

#### TMP7 Budgeting, accounting and audit arrangements

The Chief Financial Officer will prepare, and The University of Liverpool will approve and, if necessary, from time to time will amend, an annual budget which will include income and costs associated with treasury management activities. The matters to be included in the budget will, at minimum, be those required by Statute or regulation.

The form which The University of Liverpool's budget will take is set out in the University's Financial Regulations. The Chief Financial Officer will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with Treasury Management Practice.

The University of Liverpool 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 in force at the time. The present form of The University of Liverpool's Statutory Accounts is regulated by the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions.

The University of Liverpool 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.

## TMP8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of The University of Liverpool will be under the control of the Chief Financial Officer 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 Chief Financial Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP 1.1 *Liquidity risk management*.

The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.

## TMP9 Money laundering

The University of Liverpool 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 the staff involved in the procedures are adequately trained.

The present arrangements, including the name of the officer to whom reports should be made (The “Money Laundering Reporting Officer” or MLRO), are detailed in the University’s Financial Regulations.

## TMP10 Staff training and qualifications

The University of Liverpool 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 Financial Officer will be responsible for implementing the necessary arrangements.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively. The present arrangements are further outlined in the schedule to this document, in S4 ORGANISATION, SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS.

## TMP11 Use of external service providers

The University recognises the responsibility for treasury management remains with the organisation at all times. It 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.

Finally, it will 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, legislative requirements will always be observed. The monitoring of such arrangements rests with the Chief Financial Officer.

#### **TMP12 Corporate governance**

The University of Liverpool 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 Function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The University of Liverpool has adopted and has implemented the key recommendations of the CIPFA Code of Practice which, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management. The Chief Financial Officer, supported by University Finance personnel and third-party investment professionals will ensure their activity is in line with the purpose of this policy and will monitor and report when necessary upon the effectiveness of these arrangements.

## The University of Liverpool

### SCHEDULES TO THE STATEMENT OF TREASURY MANAGEMENT PRACTICES

#### S1 RISK MANAGEMENT

##### **S1.1 Liquidity**

The University's policy is to maintain a minimum average annual on-call cash balance of £80m.

The Chief Financial Officer is authorised to arrange short-term overdraft facilities with the University's bankers.

##### **S1.2 Interest Rate Risk Management**

The University considers the management of its exposure to interest rate risk to be a critical element in achieving its business objective.

The University manages its exposure to interest rate risk through the medium of its loan agreements and the embedded hedging instruments.

Prior to the undertaking of any new borrowing; the Chief Financial Officer will prepare a report with recommendations for managing the exposure resulting from that new borrowing for presentation and approval by Council.

For interest income the University's policy is to optimise returns by investing its surplus cash balances in a manner that ensures adequate liquidity to meet operational needs, safeguards the principal and adheres to responsible investment practices with sufficient liquidity to meet the liquidity management requirements.

##### **S1.3 Exchange Rate Exposure Policy**

The University's policy is to minimise exposure to exchange rate fluctuations.

The University of Liverpool will retain funds in currencies only to the extent that payments are due to be made in those currencies in the short to medium term. Currency receipts surplus to this will be translated into sterling at the best rate available timed to allow advantage to be taken of actual and potential advantageous exchange rates.

The University has five currency accounts:

- US Dollar Current Account – Used for day-to-day USD receipts and payments

- US Dollar Unitaid Account – Used for receipt of USD for research grants for which the University is the lead partner and is required to distribute a portion of the funds received to other partners
- US Dollar Statutory Account - Used to support US payroll purposes, including federal taxes and expenses of individuals working remotely from the USA
- Euro Current Account - Used for day-to-day Euro receipts and payments
- Euro Research Unitaid Account – Used for receipt of Euros for research grants for which the University is the lead partner and is required to distribute a portion of the funds received to other partners.

Subject to the operating level holding below, Euros and US Dollars in excess of current payment commitments will be placed on deposit with either the University clearing bank or an approved counterparty with a view to attempting to achieve the benchmark returns set out in this schedule.

The operating level holdings for Euros is set at €750,000 and US Dollars \$750,000. When currency holdings exceed these limits, consideration should be given to future payment commitments (including forward contracts) to identify if the excess funds over these limits should be sold. The aim of the University is to preserve the cash value of currencies received. The sale of currency on a timely basis from receipt will ensure this risk is reduced.

The Director of Finance is authorised to buy and sell currencies as appropriate to the needs of the University. On a day-to-day basis this will be delegated to the authorised Finance or Treasury Management Function and all transactions for the sale and purchase of currencies should be authorised in line with the following limits:

<b>Sterling Equivalent</b>	<b>Authorisation required</b>
Below £25,000	One signatory from the University Barclays Bank Mandate
£25,000-£500,000	Two Signatories from the University Barclays Bank Mandate
£500,000+	Director of Finance and one other Signatory from the University Barclays Bank Mandate

The sale and purchase of currencies can be transacted via the University’s clearing bank or any FCA registered financial broker approved by the Chief Financial Officer.

The University Treasury Management Team receives daily currency reports. Prior to the sale of any currency these reports should be reviewed to ensure advantage is taken of any advantageous forecast currency movements. This review should be documented and attached to support the decision taken.

All currency receipts, with the exception of Euros and US Dollars which will be paid into their respective current accounts, will be paid into the University main Sterling current account and converted at the prevailing bank spot rate.

All currency payments should be directed via the University approved international payment partner to avoid any unnecessary purchase of currency and exposure to fluctuations in exchange rates, where this is not possible payments should be made from the University main sterling current account and converted at the prevailing bank spot rate with the exception of Euros and US Dollars which will be paid from their respective current accounts.

All receipts into the Euro research account will be notified to the Research Support Office within one day of receipt. Within two days of notification of the receipt, the Research Support Office should inform the Treasury Management Team of the proportion of the receipt that belongs to the University and this will be transferred to Euro current account to match against future payments or to sell.

The University will avoid speculating on the future value of currencies against Sterling and will seek to keep administration of foreign currency transactions and holdings simple and low cost in administrative terms.

The Chief Financial Officer can authorise hedging arrangements against currency risk including entry into forward contracts.

#### **S1.4 Counterparty Credit Ratings and Credit Limits**

##### General

The Chief Financial Officer is responsible for monitoring closely the credit rating of Counterparties with whom the University's surplus cash is placed on deposit.

The University of Liverpool's In-House Treasury Team may place surplus cash on deposit via a cash broker appointed by the University or may deal directly with any qualifying Counterparty.

##### Cash and Investment Portfolios

The University's cash and Investment portfolios are managed in house or by external investment managers appointed by Investment Sub Committee. Where practical, investments will be placed into funds that are compatible with the organisation's Environment, Sustainability and Governance (ESG) values and the principles set out in our Ethical Investment Policy.

This organisation recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

This organisation will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies

and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. This policy does not apply to longer term endowment funds and pension fund investments.

### Counterparty Credit Ratings

The Chief Financial Officer is authorised to deposit surplus funds of the institution with, and purchase Certificates of Deposit issued by any Counterparty which meets at least two of the following criteria:

- Long Term Standard & Poor (S&P) credit rating BBB+ or above
- Long Term Fitch credit rating BBB+ or above
- Long Term Moody's credit rating Baa1 or above

Where a Counterparty does not meet the above criteria, the University must not place funds with that Counterparty.

### Management of Counterparties

Where the Chief Financial Officer has reason to believe that a Counterparty's credit standing is or may become impaired, they should apply lower limits than set out below or cease to use them.

Counterparties which do not meet the criteria described above may only be used following the Minuted approval of Council.

The In-House Treasury Team will review credit rating agencies websites once a month to obtain and record the up-to-date Credit Ratings. The rating tests are to apply to all bank and building society deposits, bond and money market investments. Current ratings must be checked before the renewal or placement of any new investment.

If a Counterparty's credit rating is found to have fallen below the minimum criteria while the University has funds on deposit with that Counterparty, the funds are to be recalled in full at the earliest opportunity. For funds that are on fixed term deposit, the earliest opportunity is defined as on maturity of the relevant deal. No further deposits should be made with the Counterparty.

Counterparty		Credit Limit	
Barclays Bank PLC		£70m short-term working capital limit up to one month otherwise £30m (excluding ringfenced account balances)	
<b>All other Counterparties:</b>			
Ratings of BBB+ and above must be achieved from at least two of the three rating agencies. The deposit amount will be in line with lowest credit rating for that counterparty. For a money market fund, a credit rating of AAA from any one of the three main rating agencies is required.			
Moody's	S&P	Fitch	Credit Limit
AA3 and above	AA- and above	AA- and above	£30m
A1	A+	A+	£25m
A2	A	A	£20m
A3	A-	A-	£15m
Baa1	BBB+	BBB+	£5m

### Notes

- Barclays Bank plc, as the University's clearing bank, has a short-term credit limit of £70m for a maximum time period of one month and longer-term credit limit of £30m.
- Entities with an independent FSA registration number are not treated as separate counterparties for deposit purposes and ratings and limits are applied at banking group level.
- The above limits apply to the principal deposit excluding interest.
- Credit Limits are applied for the total of sterling and foreign currencies held with a counterparty with the foreign currency balances translated into Sterling at the prevailing exchange rate. The exception to this are all ringfenced accounts used for research grant balances held by the University for distribution to partners,
- Triple A rated money market funds will carry their own credit limit in line with the above rating criteria but separate from the issuing entity if issued by a banking group.
- The maximum deposit period for any individual cash deposit is one year.
- Corporate bonds may be invested in bonds with a maturity of up three years.

The limits set out above may only be amended with the approval of the University's Finance and Resources Committee.

### S1.5 Inflation

The University of Liverpool will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of inflation exposures.

It will do this by ensuring in times of high inflation cash balances are not overly inflated and any surplus cash over and above its liquidity requirements

will be reviewed for placement in its investment portfolio. This will ensure that returns can be maximised and allows access to a diversified range of financial instruments. The University will accept lower returns on its cash holdings only to the extent as necessary to maintain its liquidity requirements. If necessary, the University will engage with fund managers and expert advisors on how best to place excess funds and will always seek the guidance and approval of ISC.

### **S1.6 Refinancing**

The approval of the Council of the University is required before any borrowing or financing is entered into. Specific regard must be taken for the requirements of the Terms and Conditions of Funding with OFS, covenants on existing borrowings and the interest rate risks identified in TMP1.2.

## **S2 BEST VALUE AND PERFORMANCE MEASUREMENT**

### **Frequency and Process for Tendering**

In order to obtain best value, the following services will be subject to review and/or tender every three to five years. The tender process will be that normally followed by the University as contained within the Purchasing Policy.

- Banking services
- Cash management services
- Cash brokerage services

### **Performance Measurement**

#### In-House Performance

The benchmarks for interest earned on In-House managed funds are:

£	Month-end BoE Bank Rate
EUR	Month-end ECB Interest Rate less 50 bps
USD	Month-end FED Funds Rate less 50 bps

BoE = Bank of England

ECB = European Central Bank. This interest rate is defined as the interest rate for Main Refinancing Operations (MRO) and is the rate at which the bulk of liquidity is provided to the banking system

FED = US Federal Reserve

## **S3 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES**

### **Investment and Deposit of Surplus Funds**

The over-riding principle guiding the investment of surplus funds is to ensure the security of the principal sums invested whilst secondly achieving optimum returns.

Surplus cash balances may be invested in line with policy limits as defined under S1.4 Counterparty Credit Ratings and Credit Limits:

- Deposits with approved Banks
- Deposits with approved AAA Money Market Funds
- Deposits with approved Building Societies
- Certificates of Deposit issued by approved Banks
- Corporate Bonds (may be purchased by external fund managers only)

Equity and other fixed instruments may be used with the prior approval of the Council.

#### **S4 ORGANISATION, SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS**

##### **Responsibility for Treasury Management**

###### **(i) University Council**

- Receive annual update of the Treasury Management Policy.

###### **(ii) Finance and Resources Committee**

- Approval of/amendments to The Treasury Management Policy.
- Approving the selection of external service providers and agreeing terms of appointment.

###### **(iii) Audit Committee**

- Receiving and reviewing external and internal audit reports and acting on recommendations.

###### **(iv) Investment Sub-Committee**

- Receive, review and recommend changes to the Treasury Management Policy to the Finance and Resources Committee.
- Receive and review quarterly reports detailing Treasury Performance against benchmarks.

###### **(v) Chief Financial Officer**

- Recommending clauses, treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular Treasury Management Policy reports.
- Submitting Budgets and Budget variations.
- Receiving and reviewing Management Information Reports.

- Reviewing the performance of the Treasury Management Function and promoting best value reviews.
- 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.

**(vi) Head of Finance Operations/Treasury Manager**

- Execution of transactions (assisted by the Treasury Officer).
- Ensuring adherence to the Treasury Management Policy on a day-to-day basis.
- Maintaining relationships with Counterparties and external service providers.
- Supervising treasury management staff.
- Monitoring performance on a day-to-day and periodic basis.
- Submitting Management Information Reports to the Chief Financial Officer.
- Identifying, recommending and implementing improved practices.

**S5 REPORTING REQUIREMENTS**

**(i) Annual reporting requirements**

- Strategy report on proposed treasury management activity for the coming year.
- Report on the treasury function for the last 12 months.
- Review and update of the University Treasury Management Policy Statement and Practices.

**(ii) Forecast cycles reporting requirements**

- Funds held and interest earned, quantified in £ and in % terms.
- Comparison of actual financial performance versus budget/forecasts .
- Commentary on treasury operations for the period.
- Proposed amendments to The Treasury Management Policy.
- Analysis of current outstanding loans, including where applicable calculation or forecast covenant compliance.
- Matters in respect of which the Treasury Management Policy Statement have not been complied.