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Treasury Management Policy

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1. **Background**
2. Treasury management is the management of an institution’s cash flows, its banking, and investments to ensure that it has sufficient money available at the right time. It includes the effective control of the risks associated with cash management and the pursuit of optimum returns on cash reserves.
3. This policy sets out the objectives of the University’s treasury management activities, as agreed by the Board of Governors. It applies to the University of Chichester and any other company in which the University may own a controlling stake in the future.
4. The University is committed to the principles of achieving best value in treasury management in support of its strategic and business objectives and will seek to employ suitable performance measurement techniques within the context of effective risk management.
5. Within this framework, the University recognises that as a small institution the resource that can be devoted to achieving optimum performance is limited. The resources allocated to treasury management will therefore be relative to anticipated risks and associated returns.
6. In making investment decisions, the University places a high level of importance on operating in an ethically responsible manner and accepts that this may have implications for the level of returns possible.
7. **Context**
8. The University’s powers to borrow and invest monies and undertake related transactions are defined in its Memorandum of Association, Articles of Association, and in the regulations passed by its Board of Governors. An agreed Scheme of Delegation sets out which powers are reserved to the Board and which are delegated and to whom.
9. The University is required to comply with the terms of its funding agreements with, inter alia, the Office for Students, which may include specific terms relating to financial commitments.
10. **Treasury Management**
11. The Director of Finance (taking expert advice where appropriate) will establish, implement and monitor arrangements for the identification, management and control of treasury management risk. Financial data including Treasury Management is provided monthly via the Management Accounts Pack to VCG and Committees and quarterly to the Banks.
    * 1. Liquidity Risk Management

The University will ensure that it has sufficient cash and available facilities to meet its liabilities as they fall due with a sufficient margin to meet unexpected expenditure that may arise from time to time. Cash availability is measured against the Office for Students liquidity test quarterly.

* + 1. Interest Rate Risk Management

Prior to the undertaking of any new borrowing, the Director of Finance will prepare a report for approval by the Finance and Resources Committee, with recommendations for managing the exposure resulting from that new borrowing.

Revolving credit facilities will normally remain subject to variable interest rates. The current arrangement from December 2022 is for a facility of £10m for a period of five years.

The current loan arrangement has an option to move to fixed rate should it be beneficial to do so upon which the Director of Finance will make a recommendation to Finance and Resources Committee for approval.

* + 1. Exchange Rate Risk Management

The University will minimise exposure to unnecessary or speculative exchange rate risk. As a

small institution, the University’s normal exposure levels are minimal.

The University will maintain accounts in Euros and US Dollars as material levels of both receipts and payments are made in these currencies. The Director of Finance has authority to approve additional foreign currency accounts if appropriate.

The University will retain funds in these currencies only to the extent that payments are due to be made in these currencies. Significant balances will be reviewed and if appropriate, transferred into Sterling at the best rate available.

The University has minimal exposed to exchange rate fluctuations in respect of research project income to the extent that bids are submitted and awards made in foreign currencies. The most significant source of such income is the EU Commission.

If the University enters into a contract in a foreign currency, then the University will assess the foreign currency risk within the month and put in place the appropriate exposure management strategy.

* + 1. Credit and Counterparty Risk Management (Investments/Cash Deposits)

In any decisions over cash deposits, the security of cash deposited must take precedence. However, the complete avoidance of risk is neither appropriate nor possible.

Where the University has placed funds on fixed term deposit and circumstances change such that there is a rating agency downgrade or the University receives advice regarding the counterparty’s creditworthiness, no further funds will be deposited with that counterparty. Existing deposits will be allowed to mature unless the change indicates a fundamental deterioration in the institution’s financial position to the extent that the security of the deposit

is considered at risk. In such circumstances, the Director of Finance will seek the early return of the deposit and will attempt to minimise the breakage costs of the early return.

* + 1. Credit and Counterparty Risk Management (Borrowings)

The University may borrow from banks, other financial institutions and the bond markets.

Loan facilities will only be arranged with organisations that are judged by the Finance and Resources Committee to have sufficient financial strength to ensure that the funds committed under the facilities will be available as and when they are required by the University in accordance with the terms of the loan arrangement.

* + 1. Refinancing Risk Management

The University will seek to eliminate refinancing risk by borrowing long term and only in respect of projects where there is a robust business plan which will generate sufficient cash surpluses to cover the borrowing costs (revenue and capital) over the life of the project.

To the extent this is not possible, the University will ensure that its financing arrangements are structured with a view to obtaining competitive and favourable offer terms for renewal or refinancing, if required.

The University 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.

* + 1. Covenant Breach Risk Management

The University recognises the risk that failure to meet terms set by lenders and other funders may lead to default on loan(s) and the resulting withdrawal of credit facilities. Certain terms may also be secured against the University’s estate. Moreover, default on any individual loan will trigger the cross-default clauses in other loan agreements with the same and other lenders.

The University will seek to minimise the risk of covenant breach by ensuring, where possible, that any new financing arrangements do not contain more onerous financial covenants than existing loan agreements.

The University will monitor and report on loan covenant compliance via the Management Accounts Pack to VCG, Committees and Banks.

* + 1. Legal and Regulatory Risk Management

The University will ensure that it does not breach its constitutional and statutory powers and

regulatory requirements. It will ensure that there is evidence of counterparties’ powers,

authority and compliance in respect of the transactions they may enter into with the University.

In so far as it is reasonably able to do so, the University will seek to minimise the risk of future legislative or regulatory changes impacting adversely on the organisation.

* + 1. Fraud, Error and Corruption, and Contingency Management

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

The University will maintain cover under its insurance policies against direct financial loss caused by crime.

1. **Liquidity**
2. The University’s policy is to retain cash balances of at least £5m at any one time unless otherwise approved by the Board. There is no maximum limit on the level of cash balances held, but the Board will require assurance that balances of above £5m are being held to meet the agreed objectives of the University and its financial strategy.
3. If actual balances fall below £5m, an explanation of the reasons for this, together with a revised cash flow forecast should be presented to the next meeting of Finance and Resources Committee indicating any impact on liquidity in the short to medium term.
4. Cashflow data is presented in the monthly Management Accounts pack and the OfS liquidity is shared in the quarterly Management Accounts pack. The University has an agreed £10m RCF facility in place since December 2022.The University’s agreements with its funders require the University to seek their consent in certain circumstances. The Director of Finance shall ensure that such consent is sought where necessary.
5. **Cash and Cash Flow Management**
6. Unless statutory regulatory, or funder requirements demand otherwise, all monies in the hands of the University will be under the control of the Director of Finance, and will be aggregated for cash flow and investment management purposes.
7. The University will maintain an effective cash flow forecasting and monitoring system in order to support it in meeting its medium-term capital requirements; identify short term liquidity needs; and assist the University in maximising its investment return by identifying when surplus cash can be placed on fixed term deposit.
8. **Responsibilities and Reporting**
9. The University will ensure that its treasury management activities are structured and managed in a clear and fully integrated manner, with appropriate segregation of duties, in order to reduce the risk of fraud or error and to optimise performance.
10. The Director of Finance will ensure Treasury Management responsibilities are recorded in the relevant job descriptions and the arrangements for absence cover is also recorded.
11. The Director of Finance will, upon identification of any treasury management event that is likely to have a materially adverse effect on the finances or operations of the University (including any breach or potential breach of financial covenants with lenders), report this promptly to the Vice-Chancellor, The Chief Operating Officer and the Chair of the Finance and Resources Committee.
12. The responsibilities of key parties with regard to treasury management are as follows:
    * 1. Finance and Resources Committee
         + to review and recommend the annual Budget and biennial Financial Strategy to the Board of Governors;
         + to consider any necessary amendments to this Treasury Management Policy and associated practices every three years, making recommendations to the Board as appropriate;
         + to consider proposals for new borrowings and to recommend such proposals to the Board for approval;
         + to approve Criteria for Short Term Investments (including counterparties, credit limits, maximum term for deposits and approved investment instruments); and
         + to approve transfer of loans between fixed and variable rates upon recommendation from the Director of Finance
      2. Board of Governors
         + to review and approve the Financial Strategy on a biennial basis;
         + to consider and approve the annual Budget;
         + to approve this Treasury Management Policy and any amendments thereto;
         + to approve the terms and conditions of any proposed borrowing, taking account of the impact of the borrowing, any covenants and provision of security on the overall stability and financial health of the University; and
         + to approve the delegation of its responsibilities as appropriate.
         + To review the long-term five-year cash projection
      3. Audit Committee
         + to receive and review any external or internal audit reports and follow-up action relating to treasury management, and ensure that the Finance and Resources Committee and the Board of Governors are aware of any recommendations or actions that may impact on their deliberations or decisions.
      4. The Vice-Chancellor, the Chief Operating Officer and/or the Vice Chancellor’s Group
         + to support, review and oversee the activities delegated by the Board to the Director of Finance.
      5. Director of Finance
         + to prepare a biennial financial strategy for review and recommendation by Finance and Resources Committee for approval by the Board of Governors;
         + to prepare and submit Budgets and budget variations for review by VCG, Finance and Resources Committee and the Board;
         + to submit appropriate treasury management and cash flow reports to the Finance and Resources Committee and the Board;
         + to ensure the adequacy of treasury management resources and skills, and the effective division of treasury management responsibilities;
         + to submit ad-hoc reports where required to support any proposed new borrowings or other significant treasury management decisions to the Finance and Resources Committee and the Board;
         + to review the performance of treasury management activities, promoting best value;
         + to recommend transfer of loans between fixed and variable rates where appropriate;
         + to confirm bank signatories for the University and its associated entities; and
         + to appoint and maintain relationships with external service providers.
      6. Head of Financial Control
         + to administer treasury management policies on a day-to-day basis, adhering to agreed policies and procedures;
         + to execute transactions;
         + to maintain treasury management records via daily bank reconciliations
         + to supervise staff involved in treasury management activities and ensure that they are appropriately trained;
         + to monitor performance on a day to day basis and submit management information reports to the Director of Finance if required; and
         + to identify and recommend opportunities for improved practices.
13. **Staff Training and Qualifications**
14. 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.
15. The University will 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.
16. **Use of External Service Providers**
17. Where external providers of treasury management services are used in order to acquire access to specialist skills and resources, the University’s standard tendering process will be followed and value for money assessed considering all relevant factors including the cost, quality, reliability and scope of service.
18. **Anti-Money Laundering**
19. As any institution, the University may be the subject of attempts 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 area are properly trained.
20. **Subsidiary Companies**
21. Where agreed with their respective boards, balances carried by subsidiary companies to the University may be aggregated with those of the University for investment purposes.
22. Any borrowing requirements of University subsidiary companies will be met by an internal loan from the University. To the extent that the University is unable to meet those requirements from its own cash flow, any external borrowings will be in the University’s name, as the relevant legal entity. The terms and conditions of any such loan(s) require approval by the University Finance and Resources Committee.

# Schedule of Short-Term Investment Criteria

Short term investments shall be placed only with institutions and instruments meeting the following criteria:

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| **Counterparties** | **Minimum Credit Rating** | | | **Limits** | **Maximum period**  **of placement** |
| S&P | Moody’s | Fitch |
| University’s appointed banking partner | AA/A1 | Aa/P1 | AA/F1 | £20m | Up to 12 months |
| UK bank, building society or equivalent | AA/A1 | Aa/P1 | AA/F1 | £5m | Up to 12 months |
| Money market funds | AAA/A1 | Aaa/P1 | AAA/F1+ | £5m | Up to 3 months |
| Treasury Bills | N/A | | | £20m | Up to 12 months |

The Director of Finance is responsible for monitoring the credit standing of approved counterparties. In times of significant generally heightened risk or market turbulence, the Director of Finance is authorised to introduce lower maximum limits and placement periods or withdraw all or part of the relevant funds without the prior approval of the Finance and Resources Committee or the Board of Governors. However, they must report this action and any other actions taken to mitigate the exposure of the University to these increased external risks to the next meeting of the Committee or Board. Protection of the capital sums invested is a higher priority for the University than the level of investment returns. A relaxation of any emergency restrictions will require the approval of the Finance and Resources Committee.

Any other change to the Short-Term Investment Criteria will require the approval of the Finance and Resources Committee on behalf of the Board.