

# Treasury Management Policy

Version Number 10

Effective from June 2024

Author: Head of Financial Accounting

<b>Document Control Information</b>			
<b>Revision History incl. Authorisation: (most recent first)</b>			
<b>Author</b>	<b>Summary of changes</b>	<b>Version</b>	<b>Authorised &amp; Date</b>
I Dempsey	Update policy for change in role titles.	V10	June 2024
I Dempsey	ULT to approve clarification of Section 5.8 Ethical Investment policy.	V9	19 <sup>th</sup> September 2023
I Dempsey	FRC to approve amendments including : <ul style="list-style-type: none"> <li>• Clarification of exchange rate management removing the flexibility to take advantage of potentially advantageous movements in exchange rates as this is not consistent with a low risk approach.</li> <li>• Inclusion of a Covenant risk</li> <li>• Inclusion of Delegated power section.</li> </ul>	V8	16 <sup>th</sup> March 2023
I Dempsey	FRC approved an amendment to ethical investment policy so that paragraph 5.8 now states the University will not invest in Alcohol production and distribution <i>(except for microbrewery activity in association with the School of Science)</i>	V7	19 <sup>th</sup> March 2021
I Dempsey	FRC approved that details of investment held should be available upon request.	V6	17 December 2020
I Dempsey	FRC to approve [ 5/11/20] amendments including: <ul style="list-style-type: none"> <li>• Correction of S&amp;P long term rating to be A-</li> <li>• Advisors be able to place investments with counterparties up to £15m. [ Previously £10m]</li> <li>• Advisors can be used for placement of any investment period rather than for investments over 6 months.[ FRC previously advised of this policy change]</li> <li>• University will just detail nature of investments and fund managers in the Financial Statements rather than details of individual investments held for endowment investments.</li> </ul> <p>Council highlighted a requirement to invest, where possible, university funds in those which are green, sustainable and ethical which also meet risk criteria.</p>	V5	20 November 2020
I Dempsey	FRC approved [ 27 April 2017] amendments including : <ul style="list-style-type: none"> <li>• Capping of investment at £10m on a group basis except for Lloyds group where restricted to £15m.</li> <li>• Credit ratings assessed on long term basis.</li> <li>• University fund managers can now place with banks outside Europe.</li> <li>• University can now invest in covered bonds and financial corporate bonds.</li> <li>• Removal of requirement to have a limit of investments over 12months of £10m and £10m with an external manager.</li> <li>• Inclusion of ethical policy – FRC requested this was revised &amp; this was amended &amp; approved 29<sup>th</sup> Sept 2017.</li> </ul>	V4.1	September 2017

C. Price & I. Dempsey	Published on University website	V3.1	July 2016
C. Price & I. Dempsey	Transfer into policy template	V2.1	April 2016
J. Charge	FRC approved [ 3 <sup>rd</sup> Nov 2015] amendments to the Treasury Management Policy to permit the Director of Finance to make investments between £5m and £10m without consultation with other members of the Executive Team and to reflect the submission of the annual report on treasury activity to the Finance and Resources Committee (formerly Audit Committee)	V2.0	Finance & Resources Committee: 03/11/2015
David Reeve	New document		07/08/2012

### Policy Management and Responsibilities:

Owner:	This Policy is issued by the Deputy Chief Executive and Chief Finance Officer , who has the authority to issue and communicate policy around treasury management and control of risks. The Deputy Chief Executive and Chief Finance Officer has delegated day to day management and communication of the policy to the Finance team.
Others with responsibilities (please specify):	All subjects of the Policy will be responsible for engaging with and adhering to this policy.

### Author to complete formal assessment with the following advisory teams:

Equality Analysis (E&D, HR)	1. <i>Completed June 2016 – see appendix.</i>
Legal implications (LPG)	2. <i>N/A</i>
Information Governance (LPG)	3. <i>March 2016 policy template support</i>
Student facing procedures (QEO)	4. <i>N/A</i>
UKVI Compliance (Student Admin)	5. <i>N/A</i>

### Consultation:

Staff Trades Unions via HR Students via USSU Relevant external bodies (specify)	1. <i>N/A</i>
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### Review:

Review due:	E.g. Autumn 2018 as part of the Treasury performance review.
Document location:	University Policy & Procedure Pages (Finance section)

<https://www.salford.ac.uk/governance-and-management/finance-policies>

### Document dissemination and communications plan:

The document has been disseminated to the appropriate team – Financial Accounting & Income & Treasury Team.

## 1.0 Purpose

This statement sets out the policies, practices and objectives of the University's treasury management activities, as agreed by the Council, and covers the University and all its related companies.

The University adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice.

The University, in compliance with the CIPFA Code of Practice, defines treasury management activities as:

*The management of the University's 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.*

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.

The University acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives.

## 2.0 Scope

The policy applies to the Finance Department and any external advisors when undertaking treasury management activities.

## 3.0 Policy Statements

### 3.1 Risk management

The Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk.

#### 3.1.1 Liquidity Risk Management

*This is defined as the risk that cash will be unavailable when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the University's business objectives will be thereby compromised.*

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. It will at all times have sufficient funds available equivalent to approximately 30 days of its non-pay operating costs.

#### 3.1.2 Interest Rate/Inflation Risk Management

*Interest rate risk is defined as the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the University's finances, against which the University has failed to protect itself adequately.*

The University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs or securing its interest revenues 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 but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes to the level or structure of interest rates.

### **3.1.3 Exchange Rate Risk Management**

*Exchange rate risk is defined as the risk of fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the University's finances, against which the University has failed to protect itself adequately.*

The University will retain funds in currencies only to the extent that payments are due to be made in those currencies.

### **3.1.4 Credit and Counterparty Risk Management**

*Credit and counterparty risk is identified as the risk of failure by a third party to meet its contractual obligations to the University 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 University's capital or revenue resources.*

**The University regards the prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty list is constructed with security in mind, but with a reasonable spread to make the most of market conditions.**

### **3.1.5 Refinancing Risk Management**

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

The University will ensure that its borrowings, 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. The University will manage its relationship with its counterparts to secure this objective and will avoid over-reliance on any one source of funding.

### **3.1.6 Loan Covenant Risk**

*Loan covenant risk is defined as the risk that the University cannot comply with the terms of its banking loans.*

The University will manage its loan covenants with a view to obtaining terms that are competitive and favourable as can be achieved in the light of market conditions prevailing at the time. The University will monitor the loan covenant risk over the life of the loan and enter into dialogue with the lender as appropriate.

### **3.1.7 Legal and Regulatory Risk Management**

*Legal and regulatory risk is defined as the risk that the University itself, or a third party which it is dealing with, fails to act in accordance with its legal powers or regulatory requirements, and that the University suffers losses accordingly.*

The University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements.

### **3.1.8 Fraud, Error and Corruption and Contingency Management**

*This is defined as the risk that the University 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 and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.*

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, the University will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to those ends.

### **3.1.9 Market Risk Management**

*Market risk is defined as the risk that, through adverse market fluctuations in the value of the principal sums it invests, its stated treasury management policies and objectives are compromised and it has failed to protect itself.*

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 it from the effects of such fluctuations.

## **3.2 Performance Measurement**

The University is committed to the pursuit of best value in its treasury management activities and to the use of performance measuring in support of that aim. Accordingly, the treasury management function will regularly examine alternative methods of service delivery to ensure best value and will measure its performance using appropriate benchmarks. An annual report on the treasury activity will be brought to the Finance & resources Committee covering the previous financial year no later than the end of the calendar year.

## **3.3 Decision making and analysis**

The University will maintain full records of its treasury management decisions and ensure they are in accordance with this policy.

## **3.4 Approved instruments, methods and techniques**

The University will undertake its treasury management activities by employing only those instruments, methods and techniques as recommended in the CIPFA code of practice.

### 3.5 Audit Arrangements

The University will ensure that its auditors, both external and internal, 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.

### 3.6 Cash and Cash flow Management

The Deputy Chief Executive and Chief Finance Officer is responsible for all University monies. All funds will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis.

### 3.7 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. The University has an anti- money laundering policy which will be kept up to date.

### 3.8 Use of External Service Providers

The University will evaluate the costs and benefits involved when employing external specialists. It will also ensure that the terms of such external providers are assessed and properly agreed and documented and subjected to regular review. Where services are subject to a formal tender or re- tender arrangements, legislative requirements will always be observed. At all times obtaining best 'Value for Money' will be one of the main objectives of the University.

### 3.9 Delegation

The University has drawn up and approved a scheme of delegation for the operation of the treasury policy:

Delegated power	Exercised by
Approval and amendment of Treasury Management Policy	Finance and Resources Committee
Appointment of bankers and other professional advisors	Council
Bank Mandates	Council
Approval of Borrowing and Lending documentation	Council
Authorisation of Cash transfers	Two from : Director of Finance, Associate Director ( Central Services), Associate Director (Academic), Head of Financial Accounting and Head of Procurement.

### 3.10 Corporate Governance

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 function and its activities will be undertaken with openness and transparency, honesty integrity and accountability.

## 4.0 Policy Enforcement

Any breaches of the policy including where the ratings of a bank fall outside the agreed rating to be reported to Finance Resources Committee and or Council.

### Related Documentation

The following documents can be found on the Finance website at

<https://www.salford.ac.uk/governance-and-management/finance-policies>

- Financial Regulations (Finance section)
- Anti - Money Laundering Policy



## **5.0 Appendices**

### **Schedule A - Risk Management**

#### **5.1 Liquidity**

The University's policy is to retain sufficient cash balances to meet any cash needs resulting from day to day operation of the University.

#### **5.2 Exchange Rate Exposure Policy**

The University's policy is to avoid exposure to exchange rate fluctuations. Currency receipts should be transferred into sterling within one month of receipt, except where currency payments are due to be made in the same currency. All transactions entered into should be in sterling wherever possible including dealings with overseas entities.

#### **5.3 Credit and Counterparty Lists**

The Head of Financial Accounting is responsible for monitoring closely the credit standing of approved counterparties. Where there is reason to believe that counterparty's credit standing is or may become impaired then a lower limit will be applied to that counterparty's dealings.

The Director of Finance is authorised to deposit surplus funds with the institutions defined below up to the value shown.

#### **5.4 Financing and Refinancing**

If the University intends to raise capital for new projects and/or intends to refinance the whole or part of the existing debt portfolio, the Deputy Chief Executive and Chief Finance Officer will have regard to:

- The level of security required for the project
- The maximum level of assets that could be provided as security without adversely affecting the stability of the University
- The value of assets already pledged as security on any existing facilities
- Ongoing registration requirements of the Office for Students .
- Any statutory restrictions and the University's own powers/rules
- Restrictions on the University's use of its property assets required by loan documentation/and other covenants
- Proposed lender
- Comparison with alternatives
- Main terms and covenants
- The costs involved (associate fees, arrangement and otherwise).
- The level and nature of interest rates charged and structure in the current marketplace

## Schedule B - Approved Instruments, Methods and Techniques

### 5.5 Investment and Deposit of Surplus Funds

- a) The overriding principle guiding the investment of surplus funds is to achieve a satisfactory return within the constraint of prudence.
- b) Surplus cash balances may be invested as follows:
  - i) Deposits with approved banks
  - ii) Deposits with approved Building Societies
  - iii) Certificates of deposit issued by approved banks
  - iv) Deposits with approved Money Market Funds including Sterling Cash Plus Funds
  - v) Segregated Funds
  - vi) Covered and Corporate bonds
  - vii) UK Government, Government Agency and Treasury Bills

The total amount that can be placed with any bank or building society at any one time will be capped at £15m\* [excluding accrued interest] except for the University's current bankers where the limit is £20m [excluding accrued interest]. Any investment [except with UK government] must be in an organisation or product having a minimum **long term rating** of:

A- Fitch

A3 Moody's

A- S&P [Standard & Poor's]

for all **three** regulators **at the time of investing**. Where the product or entity is not rated by all **three** regulators the minimum rating must be achieved for any of the three that are rated **at the time of investing**.

\* Cap of £10m on investments placed **directly** by University of Salford Finance Team . £15m cap is for investments placed for University by Treasury advisors [currently Kingswood]

Where any of the ratings subsequently move below the minimum rating required and /or placed on negative watch which would take the rating below the minimum required the investment will be realised as soon as practically possible.

- c) Deposits may be placed either directly with an approved counterparty, or through an approved Money Broker or Asset Manager.
- d) The University uses external fund managers to manage the investment of funds. The selection of an external fund manager is through competitive tender following the

University's procurement policy. Any funds transferred will be invested in such securities and similar instruments as the University defines for that fund, having also regard to its ethical investment policy.

## **Schedule C: Ethical Investment Policy**

5.6 Sustainability is a key priority for the University and this extends to how it invests its funds. To ensure that its investments match those of its corporate priorities including sustainability the University has adopted an Ethical Investment Policy.

The policy is a key schedule of the University's Treasury Policy and is reviewed periodically by the University.

5.7 The University routinely invests funds with third party organisations through the investment of surplus funds and endowments. It also makes investments in spin-out companies and other related parties as these opportunities arise.

5.8 In deciding on counterparties and companies in which to invest, the University aims to remain consistent with ethical values in pursuit of its visions and values. In order to achieve these aims, the University will not knowingly invest in companies whose activities could be seen to endanger individuals or groups of people, or whose activities are inconsistent with the mission and values of the University, its community and its wider stakeholder network. In particular the University will not invest in businesses sectors, and will actively screen out, where the primary part of the business demonstrates the following characteristics:

- a. Explicit environmental damage, such as organisations involved in the production and distribution of fossil fuels.
- b. Manufacture and sale of armaments to military regimes,
- c. Institutional violations of human rights, including the exploitation of the work force
- d. Manufacture and sale of tobacco products.
- e. Production and distribution of pornography.
- f. Alcohol production and distribution (except for microbrewery activity in association with School of Science, Engineering & Environment)
- g. Involvement in gambling.

Details of the University investments and cash holdings are available upon request from Head of Financial Accounting – Ian Dempsey at [i.m.dempsey@salford.ac.uk](mailto:i.m.dempsey@salford.ac.uk).

5.9 In order to ensure compliance with this policy the University will:

- a. Consider the ethical implications of investments alongside the commercial opportunities.
- b. Ensure that where fund managers undertake the University's investments that they operate to socially responsible objectives consistent with those of the University.

5.10 The University will, where feasible, invest university funds in green sustainable and ethical funds which meet the risk criteria.

#### 5.11 Short Term Deposits.

- a. The bulk of the University's Investments are through money market deposits with approved Banks and Building Societies as described in the Treasury Management Policy.
- b. The Banks and Building Societies, when considered as counterparties, are asked for details of their ethical investment policy.

#### 5.12 Investments.

- a. It is not the policy of the University to invest directly in equity holdings through the stock market but endowment funds are invested via a fund manager with details of the fund manager and investment criteria detailed in annual financial statements.