

Treasury Management Policy

2019 – 2022



Edge Hill
University

Treasury Management Policy

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Summary

The Treasury Management Policy defines treasury management activities, acknowledging how effective treasury management can provide support towards the achievement of the University's business and service objectives. The policy sets out the University's approach to treasury management, performance measurement and obtaining best value. It considers reporting and audit requirements as well as reflecting the core principles of corporate governance. It also sets out minimum credit rating requirements and maximum investment levels that can be invested in any one banking institution.

Introduction

The University defines its treasury management activities as;

"The management of the University's (including subsidiaries where material) cash flows, its banking and money market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

In the current volatile and uncertain economic climate the University regards the successful identification, monitoring and minimisation 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 their risk implications for the University.

The University acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management. Concisely state the reason for the document to exist, who it applies to and what it covers.

Policy

1. Risk Management

1.1 The University recognises there can be 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 subjected to regular review. Services will be subject to formal tender or re-tender arrangements when this is felt necessary.

- 1.2 Where external service providers are appointed with the responsibility for day-to-day treasury matters the University will retain full responsibility for the safeguarding of its funds.
- 1.3 The Director of Finance will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the University's objectives in this respect, all in accordance with treasury management procedures and management information arrangements.
- 1.4 The University will ensure it has adequate cash resources and borrowing arrangements to enable it to have the level of funds available to it which are necessary for the achievement of its objectives.
- 1.5 The University will manage its exposure to fluctuations in interest rates. Guiding principles to be applied will be obtaining value for money whilst seeking certainty of costs, stability of revenues and preservation of capital.
- 1.6 Currency receipts surplus will be transferred into sterling at the best rate achievable, retaining the flexibility to take advantage of unexpected, potentially advantageous changes in the level of exchange rates in the future.
- 1.7 The University regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that it engages only those suppliers of treasury management services who invest in financial instruments rated no lower than that indicated in Appendix 1.
- 1.8 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 to these ends. Fidelity insurance cover will be taken out and the responsible officials included within it.

2. Best Value and Performance Measurement

- 2.1 The University is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim.
- 2.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds. The performance of the treasury management function will be measured using criteria set out in Appendix 2 to this document.

3. Decision-making and Analysis

- 3.1 The University will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions.

4. Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

4.1 The University considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of 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.

5. Reporting Requirements and Management Information Arrangements

5.1 The Director of Finance will ensure that the DVC receives Quarterly performance reports on the implementation and performance of the Treasury function so that they can consider: the effects of decisions taken and transactions executed in pursuit of treasury management policies; the implications of changes, particularly budgetary; the effect of any regulatory, economic, market or other factors affecting its treasury management activities and the performance of investment managers (where applicable) and the treasury management function.

6. Audit Arrangements

6.1 The University will ensure that its auditors, and those charged with regulatory review, have access to all the 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.

7. Cash and Cash Flow Management

7.1 Cash flow projections will be prepared on a regular and timely basis, and the Finance Director will ensure these are adequate.

8. Corporate Governance

8.1 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.

Annexes

Appendix I

The University has set out a standard minimum credit rating as follows:

S&P BBB long rated and A-2 stable short or equivalent at time

With the exception of the university's existing bankers (subject to meeting the above credit rating requirements), no more than £8m can be invested in any one banking institution.

Appendix 2

Best values and performance measurement

The University's cash balances can be distinguished between temporary cash surpluses (working capital) and core investment cash.

It is recognised that returns on temporary cash surpluses cannot be measured in the same way as returns on core investment cash.

Approved performance measures are as follows:

Weighted Average Return - O/N LIBOR

Appendix 3

Approved Investment Instruments

- Deposits
- Certificates of Deposit
- Asset backed commercial paper
- Commercial paper
- Government bills
- Floating rate notes

Appendix 4

Organisation, Clarity and segregation of responsibilities

The Finance Director and designated members of staff are authorised to:

- deposit surplus funds on money markets using existing bankers;
- invest core funds (as indicated by reference to cash flow forecasts) with the approved fund manager as indicated in appendix 1;

The DVC shall authorise the conversion of foreign currency to sterling in accordance with 1.6 above.

Endmatter

Title	Treasury Management Policy
Policy Owner	Director of Finance
Approved by	Resources Committee
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