

## **TREASURY MANAGEMENT POLICY**

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## **Overview**

The University defines its treasury management activities as:

“The management of the organisation’s borrowing, investments, and cash flows, including 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. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The University acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### **1. Introduction**

This Treasury Management Policy Statement sets out the University’s policy concerning the raising of capital finance and the investment of surplus funds. It also deals with the internal movement of surplus funds between accounts established by the University. This statement has been adopted by the University as part of its financial regulations, with due consideration given of CIPFA Treasury code 2021. It covers the University and all its subsidiary undertakings.

It will be reviewed on an annual basis by the Director of Finance, and any proposed changes will be approved by the University’s Estates and Finance Committee.

### **2. Purpose**

Treasury management comprises the management of all cash, money market investments and capital market transactions in connection with the cash and funding resources of the University and the control of associated risks.

All treasury management activities involve risk and potential reward. The policy of the University on borrowing is to minimise cost while maintaining the stability of the University’s financial position by sound debt management techniques. The objective for investing purposes is to achieve the best possible return while minimising risk. All funds must be invested in secure and readily realisable investments.

### **3. Approved activities**

The Director of Finance and designated members of staff indicated in section 11, are authorised by Council, subject to the provisions of this Policy Statement, to:

- (a) invest surplus funds of the University with the approved types and organisations defined in Appendix One of this document.
- (b) borrow funds subject to the strategy agreed by Council.

The University will not undertake currency risk and accordingly will not borrow, or deposit funds denominated in foreign currencies other than maintaining a Euro deposit account or accounts.

### **4. Formulation of treasury management strategy**

**4.1** The University's explicit policy is to incorporate its academic, operational, and financial strategies into one planning document. This five-year Strategic Plan is approved by the University Council.

**4.2** The Director of Finance will prepare for the approval of Council:

- (a) an Annual Financial Forecast (as required by OfS)
- (b) a borrowing strategy covering medium term requirements.

**4.3** In preparing the Financial Forecast the Director of Finance will have regard to:

- (a) the maintenance of the stable financial position of the University. They will ensure that the University has appropriate facilities available to meet its capital and interest repayments; for funding needs arising from uncertainties inherent in the planning process and from the timing and amount of cash flows;
- (b) the current level of interest rates and forecasts of future changes in interest rates. They will prepare a recommendation for approval by Council of any new proposals to raise capital finance and the impact of forecast interest rates on these proposals. In addition, they will indicate the maximum proportion of interest on borrowing which is subject to variable rates of interest;
- (c) the policies contained in other planning documents within the University for example:
  - (i) the strategic/corporate plans
  - (ii) the revenue budget and capital programme
  - (iii) the estates strategy
  - (iv) working capital management, including debt collection policy and policy on creditor payments, including payroll; and
- (d) the aggregate of all funds, loans and accounts operated by the institution.

**4.4** Based on the annual forecast, if cash flow risk is high, the Director of Finance will ensure that a rolling three-month cash flow projection of short-term surplus cash is prepared. Where applicable during the year the Director of Finance will recommend amendments to the Financial Forecast to Council.

**4.5** The Director of Finance has the authority (as indicated at para 3 above) to carry out the University's strategy for depositing surplus funds and managing the cash flow of the University. In exercising these powers, they will have regard to:

- (a) the perceived credit risk associated with the approved organisations with which funds may be deposited or invested
- (b) the effect of possible changes in interest rates on the cost of borrowing and the return from investing and
- (c) the need to maintain adequate liquid funds to meet the University's obligations.

**4.6** The effective management and control of risk are prime objectives of the treasury management activities and responsibility for this lies with the Director of Finance. Appetite for risk forms part of the University's annual strategy, including any use of financial instruments for the prudent management of those risks, and is kept under review. Priority is given to security and liquidity when investing funds.

Risk Management can be defined as 'coordinated activities to direct and control an organisation with regard to risk'.

The priority is to protect capital rather than to maximise return.

**4.7** The pursuit of value for money in treasury management and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of business and service objectives. Within the context of effective risk management, this Policy and the University's practices reflect this.

## **5. Approved sources and methods for raising capital finance**

**5.1** When seeking capital finance, the Director of Finance will prepare a proposal for Council.

**5.2** For each capital borrowing requirement, the Director of Finance will seek the approval of Council for their proposed sources and methods of finance. Such approval will take account of the following:

- (a) the University's powers and rules
- (b) statutory restrictions
- (c) compliance with the university's borrowing strategy
- (d) the requirements of the Memorandum of Assurance and Accountability with OfS and
- (e) terms and covenants of borrowing.

**5.3** Any borrowing shall be undertaken in the name of The University of Huddersfield.

## **6. Investing and depositing of surplus funds**

The overriding principle guiding the investment of surplus cash balances is the preservation of the capital value of the University's resources. The Director of Finance has delegated authority to invest the funds of the University in accordance with the terms of this Statement.

The Director of Finance is responsible for monitoring the creditworthiness of approved deposit takers using appropriate external sources of information including credit agency reports and limiting exposure below the approved limits where appropriate.

In line with the Trustee Act 2000, suitable advice should be taken in respect of investment into assets other than cash. This to be taken from an Independent Financial Adviser.

## **7. Interest rate exposure**

The Director of Finance is responsible for monitoring the University's interest rate exposure and for determining the interest rate exposure strategy within the limits set by this Statement.

The principal factor governing the exposure of surplus funds to interest rate movements is the University's cash flow forecast. Where surplus funds are required to meet possible cash outflows, they will necessarily be deposited for short-term periods which will ensure that funds are available. Where the forecast identifies funds that can be invested for longer periods, the Director of Finance is authorised to make investments in accordance with the risk profile.

## **8. Legal issues**

Prior to entering into any borrowing or investment transaction it is the responsibility of the Director of Finance to satisfy themselves by reference (if necessary) to the University's legal advisors that the proposed transaction does not breach any statute, the University's financial regulations, the regulatory requirements of the Office for Students or any terms and covenants concerning borrowing.

## **9. Use of professional advisors**

The University may appoint professional advisors of the University's treasury positions. The terms of engagement of the professional advisors, which will set out in detail the matters for which the professional advisors are responsible together with the demarcation between professional advisors' responsibilities and those of the University's own staff, will be agreed by the Director of Finance under the authority of the University Executive. The terms of engagement will formally require the professional advisors to be bound by the requirements of this Statement.

Professional advisors may be appointed with responsibility for day-to-day treasury matters, but the University will retain full responsibility for the safeguarding of its funds and for setting the treasury strategy. Consequently, all the matters set out in this Statement would continue to apply to those areas of treasury management with which the professional advisors might deal including, in particular, the policy for interest rate exposure and credit policy, although it is recognised that the professional advisors would be consulted in drawing up the aspects of treasury policy relevant to their work.

## **10. Socially Responsible (Ethical) Investment Policy**

The University will not invest directly into organisations whose values do not reflect those of the University regarding social, environmental, and humanitarian concern. These would for example include but not be limited to; human rights abuse; discrimination on grounds of race, gender, disability, age, or religion; serious and persistent environmental damage, including the use of fossil fuels, and arms trading. The University will monitor ESG performance of their approved counterparties and fund managers by reviewing available data from leading ESG rating providers (such as Sustainalytics, MSCI and Bloomberg) and other sources.

## 11. Delegation

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

| <b>Delegated Power</b>                                                                    | <b>Exercised by</b>                                                                                                                                                   |
|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Approval and amendment of Treasury Management Policy Statement                            | Estates and Finance Committee                                                                                                                                         |
| Appointment of bankers and other professional advisers                                    | University Council                                                                                                                                                    |
| Amendment of types of approved organisations and limits (Appendix One)                    | Estates and Finance Committee                                                                                                                                         |
| Amendment of approved types of investment (Appendix One)                                  | Estates and Finance Committee                                                                                                                                         |
| Approval of annual financial forecast                                                     | Council                                                                                                                                                               |
| Application of approved policy                                                            | Director of Finance/Deputy Director – Financial Control & Operations                                                                                                  |
| Treasury dealing with counterparties:<br>‘B’ list investments<br><br>‘A’ list investments | Director of Finance/Deputy Director – Financial Control & Operations<br><br>Director of Finance/Deputy Director – Financial Control & Operations /Treasury Accountant |
| Authorisation of cash transfers                                                           | Director of Finance/ Deputy Director – Financial Control & Operations / Financial Accountant<br>authorised bank mandate signatories                                   |
| Borrowing and lending documentation                                                       | Director of Finance/Council                                                                                                                                           |
| Bank and dealing mandates                                                                 | Council                                                                                                                                                               |
| Authorisation of terms of reference of external managers                                  | Director of Finance under the authority of the Vice-Chancellor, having taken advice from appropriate members of the Senior Management Team                            |

## 12. Review and reporting

The Director of Finance reports regularly to the Estates and Finance Committee. Reports include quarterly management accounts and annual commentaries on investments and treasury operations.

## APPENDIX ONE - APPROVED ORGANISATIONS AND INVESTMENT LIMITS

**“A” List Investments are sums available to the University within 24 hours and include:**

- 1) UK Treasury Bills
- 2) Bank and Building Societies
  - a. Deposits with approved banks and building societies, maximum maturity is at the discretion of the Director of Finance.
  - b. Certificates of Deposit issued by approved banks and building societies
  - c. Corporate debt – issued by approved financial institutions with a maximum maturity of five years.
  - d. Floating rate notes – issued by approved financial institutions with a maximum maturity of two years.

A list of approved organisations is set out in Appendix Two.

The maximum deposit with any one approved institution at any one time is:

- £10m for any bank with a Fitch L/T credit rating of A- or above.
- £5m for Building Societies with total assets of over £10bn.

This restriction does not apply to investment into UK Treasury Bills.

**“B” List Investments are sums available to the University at more than 24 hours and include:**

The Director of Finance is given authority to invest such sums of money as are defined in Appendix Two into B List investments having first satisfied the Estates and Finance Committee that the investment objectives of the organisation concerned and restrictions (if any), including credit criteria are acceptable. The types of investment that may be represented in the portfolio include securities and money market instruments listed below (all denominated in sterling):

- 1) A balanced investment portfolio invested in appropriate proportions, considering the liquid funds held in “A” List Investments, to give rise to low and medium risks (see definition at 3), below) overall (i.e., for the total amount of funds in the A List and the B List).
- 2) Investments to include, but not be limited to:
  - a. Fixed Interest Funds
  - b. Individual Corporate Bonds
  - c. UK Equity Funds
  - d. International Equity Funds
  - e. Zero Dividend Preference Shares
  - f. Hedge /Absolute Return Funds
  - g. Property
  - h. Cash
  - i. Private Equity
  - j. Commodities
  - k. Structured Products
  - l. Infrastructure
  - m. Alternative Investments
- 3) Low to medium risk investors have a medium-low risk tolerance and are likely to be concerned about the possibility of losing money, but do not want to completely ignore the possibility of making higher returns. They probably want greater returns than are offered by bank accounts and other low risk investments and therefore are prepared to accept some fluctuation.

## **APPENDIX TWO – FACTORS TAKEN INTO CONSIDERATION WHEN IDENTIFYING SURPLUS FUNDS FOR INVESTMENT**

The University generates liquid funds which may be surplus to immediate requirements by generating a surplus beyond its expected needs.

The minimum level of liquid funds which may be considered to fall into Category A, is the minimum level necessary to meet the University's short-term operational objectives and is determined by the level required to meet the expenditure needs of the cash flow forecast. In practice this will be at least 20 days of expenditure. Cash generated that is surplus to these minimum requirements may fall into Category B, if the longer-term cash flow forecast demonstrates that there is no need to hold these funds for Category A purposes, and subject to the overall risk assessment below.

A review will be undertaken on an annual basis by the Director of Finance in conjunction with determining the affordability of the 15-year Estate Capital Plan. This is approved at the November meeting of Council alongside the University's Financial Forecast for the following 4 years. That review will also determine the projected level of Category A and Category B liquid funds which will be required for the following 12 months, taking the factors above into account. The overriding factor in this review will be the University's risk appetite, which is currently set at low/medium for the entire holding of liquid funds. This is derived from holding Category A funds (low risk) in equal proportion to Category B funds (medium risk). All other things being equal therefore, the level of Category A funds and level of Category B funds will be equal based upon projected balances in 12 months' time, so long as this leaves sufficient A funds in place for the university's short-term needs.

In order to eliminate as far as possible, the undue regular movement of funds in and out of Category B driven by such a review which may be detrimental to investment performance, the final figure on which the split between A funds and B funds is to be determined will be the lower of the combined value of liquid assets held at 31 July in any given year and the forecast figure 12 months hence.

Category A funds will then be invested as A List investments and Category B funds as B List investments in accordance with Appendix One.

The split between A and B Funds will be constantly reviewed, but there is a grace period of 15 months before any action is required in order to enable annual forecasting to be completed. There is also a 5% tolerance before action is required, so a split of 45%/55% in favour of either A or B investments is considered to be acceptable within the overall risk tolerance. This is subject to a further check on the level of risk being carried by the investment allocation in Category B to ensure that the equity proportion is not overweight in overall terms. This is unlikely to happen because the prudent policy of taking the lower of current and forecast balances means that at any one time the investment into B funds will be a maximum of 50% of total funds and in practice will be less. It is likely however that this prudent policy will result in fixed interest funds being overweight which means that the overall risk profile will usually be at the lower end of the Low/Medium spectrum.

Some discretion is allowed to the Director of Finance in managing the respective portfolio balances in order to ensure that any temporary movement or weighting does not impact adversely on investment performance.

| <b>POLICY SIGN-OFF AND OWNERSHIP DETAILS</b> |                                                                                                                                                                     |
|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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| <b>Version Number:</b>                       | V2.2                                                                                                                                                                |
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| <b>Author:</b>                               | Director of Finance                                                                                                                                                 |
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| <b>Compliance Checks:</b>                    | Regular reporting to University Council                                                                                                                             |
| <b>Related Policies/Procedures:</b>          | Financial Regulations                                                                                                                                               |

| <b>REVISION HISTORY</b> |              |                                                                                                                                                      |                     |
|-------------------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Version</b>          | <b>Date</b>  | <b>Revision description/Summary of changes</b>                                                                                                       | <b>Author</b>       |
| V2.2                    | October 2026 | Minor amendments                                                                                                                                     | Director of Finance |
| V2.1                    | Sept 2023    | Minor amendments<br>Revision of counterparty limits                                                                                                  | Director of Finance |
| V2.0                    | Sept 2022    | Major Policy review                                                                                                                                  | Director of Finance |
| V1.2                    | Nov 2020     | Revisions to investment limits.                                                                                                                      | Director of Finance |
| V1.1                    | Sept 2019    | Minor amendments.                                                                                                                                    | Director of Finance |
| V1.0                    | July 2017    | Major Policy review.<br><i>Previous versions of this Policy are held by Finance. Please note this is Version 1.0 under the new Policy Framework.</i> | Director of Finance |