



## Treasury Management Policy

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## 1. Introduction

This policy adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice, which 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 establishes the parameters for the management of funds available for short-term investment, funding requirements and the control of associated treasury risks.

Treasury management, in the context of this policy, includes the identification, monitoring and management of the University’s cash flows, bank balances, investments and borrowing activities. The primary objective of treasury management is to ensure the security and liquidity of funds whilst optimising investment returns within an acceptable level of risk.

The University regards the successful identification, monitoring and control of treasury risk as the primary criteria by which effective treasury management will be measured.

This policy and the treasury management decisions taken under it support and relate to:

- The University’s five-year strategic plan
- The University’s annual revenue budget
- The capital expenditure programme
- Cash flow forecasts

## 2. Treasury Management Policy Statement

This statement sets out the policies, objectives and practices governing the University’s treasury management activities.

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

The management of the University’s cash flows, investments, borrowing and banking activities, together with the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

3. The University regards the successful identification, monitoring and control of treasury risk as the primary criteria by which effective treasury management will be measured. Accordingly, treasury management activities will focus on

ensuring the security and liquidity of University funds before considering investment return.

4. The University acknowledges that effective treasury management supports the achievement of the University's strategic and financial objectives. Treasury management activities will therefore be undertaken in accordance with the principles of prudent risk management, value for money, strong governance and effective internal control.
5. The Treasury Management Policy will be reviewed at least annually by the Finance Department and submitted to the Finance & General Purposes Committee for approval in accordance with the University's governance arrangements.
6. Treasury management activities undertaken by the University must comply with this policy, the University's Financial Regulations and all relevant statutory and regulatory requirements.

### **3. Overview**

The University will maintain sufficient liquidity daily to ensure that all operational, payroll, supplier and contractual obligations can be met as they fall due. Cash balances will be actively monitored and managed to avoid excessive idle cash holdings whilst ensuring adequate working capital is always available.

Operational cash thresholds will be reviewed regularly by the Finance Department to ensure appropriate levels of immediately accessible funds are maintained within the University's current and call accounts. Surplus balances above operational requirements will be considered for short or medium-term investment in accordance with this policy.

The Director of Finance and Procurement has overall responsibility for treasury management activities, which are administered within the Finance Department in accordance with this policy and the University's Financial Regulations.

Day-to-day treasury management activities are undertaken by appropriately authorised Finance staff, with oversight arrangements in place to ensure effective segregation of duties, monitoring and control.

Finance Operations staff are responsible for supporting accurate cash flow information through the timely processing of receipts and payments, maintaining banking records, and ensuring treasury transactions are processed in accordance with delegated authorities and internal controls.

This policy covers the following areas:

#### **a) Cash Flow Management**

The management of bank balances on a day-to-day basis, including cash flow forecasting, liquidity management, working capital monitoring and the investment of surplus funds where appropriate.

## **b) Investment of Cash Deposits**

The investment of surplus funds with approved counterparties on a short or medium-term basis in accordance with approved counterparty limits and risk criteria. Short-term investments are defined as periods from overnight up to six months, and medium-term investments as periods exceeding six months up to a maximum of twelve months.

## **c) Borrowing**

The management of borrowing arrangements and financing decisions to ensure that any borrowing undertaken is affordable, sustainable and aligned with the University's long-term financial strategy and liquidity requirements. The University's preference is to minimise external borrowing where practical and utilise available cash reserves appropriately to support capital investment.

## **d) Risk Management**

The identification, monitoring and management of treasury-related risks, including liquidity, investment, interest rate, counterparty, operational and regulatory risks, to ensure the security of University funds and the protection of the University's financial position and reputation.

## **4. University objectives**

The University has the following objectives in relation to treasury management:

- a) To manage current account balances to ensure that appropriate funds are available to meet day to day operational and working capital requirements.
- b) To safeguard University cash balances through effective management and control of funds.
- c) To maximise returns from the short-term investment of university cash balances within the constraints and risk tolerances established by this policy.
- d) To ensure borrowings whether secured or unsecured are at competitive market rates and sustainable by the University.
- e) To guarantee bank loan covenants are met in accordance with loan requirements.
- f) To ensure the liquidity days do not fall below 30 otherwise it is a reportable event to the Office for Students (OfS).

g) To ensure treasury activities align with the University's sustainability and ethical investment and ESG principles as a mandatory requirement.

h) To ensure treasury decisions are appropriately documented, monitored and reported.

## **5. Treasury Management Reporting and Monitoring**

Effective treasury management reporting and monitoring are essential to ensure that treasury activities are undertaken in accordance with this policy, the University's Financial Regulations and approved risk tolerances.

The University will maintain full records of treasury management decisions, investment activity, borrowing arrangements and supporting documentation to demonstrate that appropriate consideration has been given to risk, liquidity, security and value for money when decisions are made.

The Director of Finance and Procurement will ensure that appropriate monitoring arrangements are in place for:

- cash balances and liquidity levels,
- investment performance,
- counterparty exposure limits,
- borrowing arrangements,
- interest rates,
- cash flow forecasts,
  
- covenant compliance,
- and treasury-related risks.

Treasury management activities will be subject to regular review and monitoring by the Finance Department, with treasury information reported in accordance with the University's governance arrangements.

### **Reporting Requirements**

The following treasury management information will be prepared and reviewed on a regular basis:

#### **Operational Reporting**

Regular internal treasury monitoring will include:

- daily cash balance monitoring,
- short and medium-term cash flow forecasting,
- investment maturity profiles,
- counterparty exposure monitoring,
- interest rate monitoring,

- and liquidity assessments.

### **Management Reporting**

Treasury management information reported periodically to senior management and/or Finance & General Purposes Committee may include:

- cash and investment balances,
- treasury performance against benchmarks,
- investment returns achieved,
- borrowing and covenant compliance,
- liquidity position,
- counterparty credit rating changes,
- policy compliance monitoring,
- and significant treasury risks or issues.

### **Exception Reporting**

Any actual or potential breaches of this policy, deterioration in counterparty creditworthiness, liquidity concerns or significant treasury risks will be reported promptly to the Director of Finance and Procurement and escalated through the appropriate governance arrangements where necessary.

### **Policy Review**

The Treasury Management Policy will be reviewed at least annually by the Finance Department and submitted to the Finance & General Purposes Committee for approval. Additional reviews may be undertaken where there are significant changes in:

- economic conditions,
- financial markets,
- regulatory requirements,
- banking arrangements,
- the University's financial position
- or the CIPFA Treasury Management Code of Practice.

## **6. Risk Management**

Risk management is fundamental to the effective management of the University's treasury activities. The identification, monitoring and control of treasury-related risks are regarded as the primary criteria by which effective treasury management performance will be measured.

The University will maintain a prudent and risk-averse approach to treasury management activities, prioritising the security and liquidity of funds ahead of investment return.

Treasury management activities will be undertaken in accordance with this policy, the University's Financial Regulations and all relevant statutory and regulatory requirements.

The key treasury management risks monitored and managed by the University include:

#### **a) Liquidity Risk**

Liquidity risk is the risk that cash will not be available when required to meet the University's operational and financial obligations.

The University will ensure that sufficient cash resources, overdraft facilities and access to funds are always available to support operational requirements and strategic objectives.

Cash balances and liquidity levels will be monitored regularly through cash flow forecasting and treasury monitoring arrangements. Operational cash thresholds will be maintained to ensure that day-to-day obligations, including payroll, supplier payments and loan commitments, can be met as they fall due.

#### **b) Investment Risk**

Investment risk is the risk of financial loss arising from the investment of surplus funds.

The University's primary investment objective is the security of funds invested, followed by liquidity and then investment return. Surplus cash balances will only be invested with approved counterparties that meet the minimum credit rating criteria set out within this policy.

Investments will be diversified across approved institutions where practical to reduce concentration risk and exposure to any single counterparty.

#### **c) Interest Rate and Exchange Rate Risk**

Interest rate risk is the risk that fluctuations in interest rates adversely affect the University's financial position, investment income or borrowing costs.

The University will manage its exposure to interest rate movements through prudent cash flow management, monitoring market conditions and maintaining an appropriate balance between liquidity and investment return.

The University has limited exposure to foreign exchange risk; however, where foreign currency transactions arise, these will be managed in a manner that minimises exposure to adverse exchange rate movements. The University will not engage in speculative foreign exchange activity.

#### **d) Credit and Counterparty Risk**

Credit and counterparty risk is the risk that a financial institution or counterparty fails to meet its contractual obligations.

The University will only invest funds with approved counterparties that meet the minimum credit rating criteria established within this policy. Counterparty credit ratings and market information will be monitored regularly to ensure continued suitability.

The University will maintain appropriate limits for:

- individual counterparties,
- investment duration,
- and total exposure levels.

Where a counterparty's financial standing deteriorates materially, the University will review and, where appropriate, withdraw or restrict future investments with that institution.

#### **e) Legal and Regulatory Risk**

Legal and regulatory risk is the risk that treasury activities fail to comply with statutory powers, regulatory requirements or internal governance arrangements.

The University will ensure that treasury management activities comply with:

- CIPFA Treasury Management Code,
- the University's Financial Regulations,
  
- banking and investment requirements, Office for Students requirements,
- and all relevant legislation and regulatory guidance.

#### **f) Fraud, Error and Operational Risk**

Operational risk is the risk of loss arising from inadequate internal processes, systems, human error, fraud or external events.

The University will maintain appropriate internal controls, segregation of duties, authorisation procedures and monitoring arrangements over treasury activities to minimise the risk of fraud, error or financial loss.

Treasury transactions will be appropriately authorised, recorded and reconciled, with supporting documentation retained to provide a clear audit trail.

#### **g) Decision-Making and Governance Risk**

The University will maintain clear records of treasury management decisions, supporting analysis and approval processes to demonstrate that treasury decisions are undertaken appropriately and in accordance with this policy.

Treasury decisions will consider:

- liquidity requirements,
- investment security,
- market conditions,
- counterparty risk,
- and the overall financial position of the University.

## **h) Environmental, Social and Governance (ESG) Risk**

The University recognises the importance of considering Environmental, Social and Governance (ESG) factors when undertaking treasury management activities.

Where practical and appropriate, treasury investment decisions will consider ethical, ESG and reputational factors alongside financial and credit risk considerations.

## **7. Constraints**

There are three key principles underpinning all treasury investment decisions:

### **1. Security**

The protection of the University's capital is the primary consideration in all treasury investment activity. Investments should be undertaken in a manner that ensures the return of the original capital sum upon maturity.

### **2. Liquidity**

Consideration for the duration of the investment to ensure adequate funds are available to meet any financial obligations. A minimum operational liquidity balance will be maintained within instant access accounts at all times.

### **3. Value for Money**

Treasury investments should seek to optimise investment returns whilst maintaining appropriate levels of security and liquidity, and ensuring that treasury management activities represent value for money for the University.

The following constraints are mandatory in the placement of all short to medium-term treasury investments. Long-term treasury investments with a duration exceeding 12 months are not permitted under the current policy unless specifically approved through the University's governance arrangements.

a) Treasury investments must comply with the delegated authority limits set out within Section 9 of this policy and the University's Scheme of Delegation.

b) The maximum amount to be deposited in any one account is £10,000,000 and up to £15,000,000 with any one organisation with the exception of the University principal banking provider. This value can exceed £15,000,000 but only for a short period of no more than 60 days. Investments will be diversified where practical to reduce over-reliance on individual counterparties or institutions.

c) The University's operational current account balances will be managed to ensure sufficient liquidity is maintained for day-to-day operational requirements. Surplus balances above operational requirements should be transferred into approved interest-bearing accounts or treasury investments where appropriate.

d) Counterparty credit ratings and market information will be reviewed regularly. The Director of Finance and procurement, may deposit surplus funds of the University to any Counterparty which meets at least two of the following criteria that fall within the upper medium grade:

- Long Term Standard & Poor (S&P) credit rating A- or above
- Long Term Fitch credit rating A- or above
- Long Term Moody's credit rating A3 or above

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

## **8. Constraint exceptions**

The constraints established by this policy may be amended or relaxed on a temporary basis for exceptional circumstances with the approval of the Chair of the Finance and General Purposes Committee. Should ratings deteriorate following the placement of an investment the circumstances will be reported promptly by the Director of Finance and Procurement to the Vice Chancellor with recommendations on action to be taken.

Any temporary breach or exception to treasury limits or policy constraints must be documented and approved in accordance with delegated authority arrangements.

Material breaches will be reported to the Finance & General Purposes Committee.

## **9. Delegated Authority**

Authority is delegated in accordance with the limits set out below and in line with the University's Scheme of Delegation and Financial Regulations.

The Director of Finance and Procurement is authorised to approve and place treasury investments of up to £1 million for periods of up to 12 months.

Treasury investments between £1 million and £10 million for periods of up to 12 months require approval by the University Executive Board (UEB).

Treasury investments above £10 million for periods of up to 12 months, and any treasury investment exceeding 12 months in duration regardless of value, require approval by the Finance & General Purposes Committee or approval via Chair's Action where appropriate.

To ensure appropriate segregation of duties, treasury transactions will be processed independently by the Chief Accountant, or another appropriately authorised officer in their absence.

All treasury transactions must comply with the University's Treasury Management Policy, Financial Regulations and Scheme of Delegation.

Transaction Value	Term of investment	Approval required
Up to £1 million	Up to 12 months	Director of Finance and procurement
£1million-£10 million	Up to 12 months	UEB
Above £10 million	Up to 12 months	F&GP approval/Chair's action
Any Value	Over 12 months	F&GP approval/Chair's action

## 10. Staff Training and Competency

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. It will therefore seek to appoint individuals who are both capable and experienced. Staff involved in treasury management activities will maintain appropriate knowledge and skills through ongoing professional development and training. The Director of Finance and Procurement, will ensure that Council and Finance Committee members have access to training relevant to their needs and responsibilities.

## 11. Appointment of Brokers and Advisors

The University may engage external treasury advisors and banking providers where appropriate to support treasury management activities.

Relationships with treasury advisors and banking institutions will be reviewed periodically to ensure value for money and service effectiveness.

Brokers and advisors appointed must be FCA regulated and have Higher Education sector experience. The appointment process of brokers must comply with the procurement policy and will be subject to approval by Finance & General purposes committee.

## **12. Ethical Banking and Investments**

The University is committed to ensuring all banking and treasury management activities comply with defined ethical, environmental, social and Governance (ESG) criteria as a mandatory requirement. Such activities consider ethical, environmental and corporate social responsibility before surplus cash is invested either through money market deposits or treasury deposit accounts. The existing approved counterparties have corporate social responsibility values and objectives that are set out in their annual reports. When considering counterparties banks and building societies will be asked for details of their ethical investment policy.

It is not the policy of the University to invest surplus cash in equity holdings through the stock market, nor investment opportunities with companies or organisations that may hamper the work of the University.

The University considers ethical, sustainability and reputational factors when selecting banking and investment counterparties where practical and appropriate, with a preference for institutions supporting net zero and social value. All counterparts must evidence ESG credentials during selection and review.

The University will not invest, directly or indirectly in organisations whose primary business activities include:

- Fossil fuel extraction and production
- Arms manufacturing
- Border enforcement and surveillance infrastructure linked to human rights risks
- Breaches of international human rights or environmental standards

The University will actively identify and divest from non-compliant investments within a 6 month timeframe.

The University will establish an Ethical Investment Oversight Group with student and staff representation and commit to an annual publication of counterparties and compliance and breaches.

## **13. Anti-Money Laundering**

The University recognises its legal responsibility under the money Laundering Regulations 2017, Proceeds of Crime Act 2002 and the Terrorism Act 2000 together with any subsequent amendments and associated legislation.

The University will comply at all times with applicable anti-money laundering legislation and will maintain appropriate procedures and internal controls to minimise the risk of money laundering, terrorist financing and financial crime.

All staff involved in financial transactions or treasury management activities are required to remain alert to potentially suspicious activity. Where a member of staff has reasonable grounds to suspect that a transaction or activity may involve money

laundering or financial crime, they must report their concerns immediately to the Money Laundering Reporting Officer (MLRO). The MLRO function is undertaken by the Head of Legal Services, Governance and Risk. In their absence, reports should be made to the Director of Finance and Procurement.

Staff must not disclose suspicions of Money laundering to any other person except in accordance with the University's reporting procedures, as this may constitute a criminal offence under anti-money laundering legislation ("tipping off").

The MLRO will assess all reported concerns and, where appropriate, submit a Suspicious Activity Report (SAR) to the National Crime Agency (NCA).

## 14. Policy Review

This Treasury Management Policy will be reviewed at least annually by the Finance Department to ensure that it remains appropriate, effective and aligned with the University's operational requirements, financial strategy and regulatory obligations.

The policy will also be reviewed where there are significant changes in:

- economic or market conditions;
- treasury management risks;
- banking arrangements;
- regulatory or legislative requirements;
- the University's financial position; or
- the CIPFA Treasury Management Code of Practice.

Any material amendments to the policy will be submitted for approval in accordance with the University's governance arrangements and Scheme of Delegation.

The Director of Finance and Procurement, is responsible for ensuring that the policy is maintained, implemented and reviewed appropriately.

## 15. Appendices

### A. Approved Counterparties

The University will only invest surplus funds with approved counterparties that meet the minimum credit rating and operational criteria set out below.

<b>Institution Type</b>	<b>Minimum Rating</b>	<b>Maximum Investment</b>	<b>Maximum Duration</b>
UK Government / DMADF	UK Sovereign	Unlimited	12 months
UK Clearing Banks	A-	£15m	12 months
Building Societies	A-	£10m	6 months
Money Market Funds	AAA MMF	£10m	Instant access

<b>Institution Type</b>	<b>Minimum Rating</b>	<b>Maximum Investment</b>	<b>Maximum Duration</b>
Notice Accounts	A-	£10m	95 days
Term Deposits	A-	£15m	12 months

The Director of Finance and Procurement may temporarily suspend or restrict approved counterparties where market conditions or credit concerns warrant additional caution.

## **B. Approved Investment Instruments**

The following investment instruments may be used for treasury management purposes:

<b>Investment Type</b>	<b>Permitted</b>
Instant Access Accounts	Yes
Notice Accounts	Yes
Term Deposits	Yes
Money Market Funds	Yes
Certificates of Deposit	Subject to approval
Corporate Bonds	No
Equity Investments	No
Derivatives / Speculative Investments	No

## **C. Treasury Reporting Timetable**

Treasury management information will be reported in accordance with the following timetable:

<b>Report</b>	<b>Frequency</b>	<b>Reported to</b>
Cashflow forecast	Weekly	Director of Finance and Procurement
Treasury position report	Monthly	UEB
Treasury performance update	Quarterly	F&GP committee
Treasury Management Policy review	Annually	F&GP committee
Investment counterparty review	Quarterly	Finance department

Exception reporting will occur immediately where:

- policy breaches occur;
- liquidity concerns arise;
- or counterparty credit concerns emerge.

## **D Liquidity and Cashflow Management**

The University will maintain sufficient operational liquidity at all times to meet:

- payroll obligations;
- supplier payments;
- debt servicing;
- and operational expenditure commitments.

A rolling 12-month cashflow forecast will be maintained and reviewed regularly.

Minimum operational liquidity levels will normally be retained within instant access accounts before surplus funds are considered for investment.