Treasury Management

1.0 Introduction

The University of Northampton (UON) adopts the key recommendations of Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice. This policy sets out the University's policy concerning raising finance and investment of surplus monies.

2.0 Ownership

The Finance and Planning Department owns and manages this policy on behalf of UON.

3.0 Organisational Scope

The UON Treasury Management Policy is a corporate policy and will apply to subsidiaries of the University whose results are consolidated into the University's annual accounts.

4.0 Treasury Management Policy Statement

This statement sets out the University's policy concerning raising finance and investment of surplus monies. The University defines its treasury management activities as:

'The management of the organisation'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. 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. The University 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.

5.0 Key Principles

The University will manage its cash resources with respect to three key principles:

- Security of cash deposited.
- Maintenance of adequate and available liquidity to meet its operational needs.
- Gaining an appropriate level of investment return balanced with an appropriate level of risk in line with University's risk appetite.

In any decisions regarding cash deposits, the security of cash deposited will take precedence, whilst acknowledging that the complete avoidance of risk is neither appropriate nor possible.

6.0 Procedure

Treasury Management Policy Practices

6.1 Risk Management

6.1.1 General Statement

The University adopts a risk averse approach to treasury management and will only enter into treasury transactions that takes into account the University's treasury requirements, as well as risks as set out by this policy and never to speculate.

The University will design, implement, and monitor all arrangements necessary for the identification, management, and control of these treasury risks.

The University recognises the importance of proper business planning and decision support. This includes recognising the importance of stress testing when analysing possible business plans. Whilst treasury risks are important factors to consider when undertaking wider business planning activities, this document does not cover the wider context of business planning and stress testing, which extends beyond treasury matters.

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

6.1.2 Liquidity Risk Management

Liquidity risk is the risk cash will not be available when it is needed, that ineffective management of liquidity creates additional or unbudgeted costs, and the University's business objectives may thereby be compromised.

For the purposes of this document:

Cash is defined as cash in the University's bank accounts or liquid investments which are convertible into cash within 3 working days, (e.g., money market fund investments and bank term deposits where there is a contractual provision which permits early redemption of the deposit).

Liquidity is defined as the sum of the University's Cash and cash equivalents, short term liquid investments and term deposits (convertible to cash within 3 working days) and any undrawn committed borrowing facilities which are available to be drawn.

Minimum liquidity days is defined as the ratio of:

- cash + cash equivalents + current asset investments; less borrowings falling due in one year (including overdrafts, loans, and other external borrowings, as well as loans from directors).
- over expenditure less depreciation and amortisation, changes to pension provisions and pension adjustments.
- multiplied by a factor of 365.

The University will maintain the following minimum levels of liquidity:

- Sufficient Liquidity to cover the next 60 liquidity days.
- Sufficient liquidity to meet requirements set out by existing borrowing arrangements.

Net Cash Requirement for a given period is defined as the net total of all committed cash inflows and all committed cash outflows (including outflows for the payment of projected interest and principal payments on debt).

The University will undertake reasonable sensitivity analysis, scenario analysis of its liquidity position and cash flow projections, to fully understand the impact of adverse operational and financing scenarios on its Net Cash Requirement and its position against liquidity policy limits.

The University will ensure it has adequate, though not excessive; cash resources, borrowing arrangements, and liquidity facilities, to enable it at all times to have the level of funds necessary for the achievement of its objectives as well as meet policy or other requirements, including those arising from existing funding arrangements.
The Director of Finance and Planning is authorised, if deemed appropriate, to arrange overdraft facilities to ensure adequate liquidity is met. Arranging such facilities is to take into account consent requirements, including those arising from existing funding arrangements. In the event of overdraft facilities being arranged the Director of Finance and Planning must report this to the Board of Governors.

Further liquidity facilities may be considered, to support liquidity and overall treasury needs, with the approval from the Board of Governors.

6.1.3 Interest Risk Management

Interest rate risk is the risk that unexpected fluctuations in the level of interest rates adversely impacts the finances of the University as a result of the University failing to protect itself adequately.

The University will manage its exposure to fluctuations in interest rates with a view to best managing its interest rate risk exposure, taking into account the annual budget, long term financial plan and using the instruments outlined in Appendix 1.

6.1.4 Exchange Rate Risk Management

Exchange rate risk is the risk that fluctuations in foreign exchange rates adversely impacts the University's finances.

The University will manage its exposure to fluctuations in exchange rates so as to minimise the detrimental impact on its finances using the financial instruments outlined in Appendix 1.

6.1.5 Inflation Risk Management

Inflation risk is the risk that inflation materially adversely impacts the University's finances. Inflation risks, insofar as they can be identified, should be considered where impacting directly on the University's treasury management activities and future business planning.

6.1.6 Credit and Counterparty Risk Management

Credit and counterparty risk is defined as the risk of failure by a third party to meet its contractual obligations to the University under an investment, borrowing, hedging, capital, project or partnership financing arrangement, which has a detrimental effect on the University's resources and/or gives rise to credit losses.

The University regards a prime objective of its treasury management activities to be the security of its investments, liquidity, borrowings and risk management arrangements. Accordingly, it will ensure that its counterparty relationships take into account counterparty risk balancing any returns obtained with these risks, while taking into account counterparty rules defined in Appendix 1. Regular monitoring of the credit ratings of counterparties in use, will be used to best manage this risk.

6.1.7 Refinancing Risk Management & Borrowing Policy

Refinancing risk is the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced, including on terms that reflect the provisions made by the institution for such refinancings, and/or on the terms are inconsistent with prevailing market conditions at the time (subject to the University's credit position).

The University will endeavour that its borrowings, private financing and partnership arrangements are competitive and as favourable to the institution as can reasonably be achieved, including in light of the market conditions prevailing at the time. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

The University will seek to ensure that, where possible, new funding arrangements will not be entered into where financial covenants and security arrangements are deemed to be onerous for the University. The financial position of the University shall be monitored on a regular basis to ensure it does not breach any of its existing financial covenants where relevant. Arranging new facilities to also take into account covenant consent requirements, arising from existing funding arrangements.

The University will aim to spread the maturities of funds raised such that refinancing risk does not become unduly concentrated at particular dates, while also taking into consideration existing funding arrangements. The University will aim to avoid projected borrowing maturities in any one year, except where such concentration of principal maturities is unavoidable (for example, under a bullet corporate bond structure). Where such concentration has arisen from making financing decisions, which offer overall value (for example bond issues), the University will consider strategies to mitigate such risk within its annual treasury strategy.

6.1.8 Legal and Regulatory Risk Management

Legal and regulatory risk is defined as the risk that the University, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements.

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

6.1.9 Fraud, error and corruption, and contingency management

This risk is that the University fails to identify the circumstances in which it may be exposed to 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.

The University will ensure that it maintains current awareness of these circumstances as they arise and will take appropriate action wherever possible.

6.1.10 Market Risk Management

Market risk is defined as the risk that, through adverse market fluctuations in the value of the principal sums the University invests or borrows, that its stated treasury management policies and objectives are compromised.

The University will seek to protect itself from the effects of such fluctuations by regularly monitoring the performance of its investments and borrowings. Specifically, it will monitor and report on loan covenant compliance with its borrowers on a regular basis and through monitoring forecast financials against these covenants.

6.1.11 Risk Management Techniques

The University will achieve mitigation of the above risks through regular monitoring of these risks, by compliance with its Treasury policies and by the prudent use of its approved financing and investment instruments, methods and techniques. This is primarily to create stability and certainty of costs and revenues, but at the same time retaining sufficient degree of flexibility to take advantage of unexpected and potentially advantageous changes in the level or structure of interest rates, exchange rates and inflation.

6.2 Performance Management

The University is committed to the pursuit of value for money. Its treasury management activities will be subject to the use of performance methodology as outlined in Appendix 2 in support of that aim, along with regular examination of alternative methods of service delivery and of the scope for other potential improvements within the limitations of the resources available.

6.3 Decision Making and Analysis

The University will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in Appendix 2 to this document.

6.4 Approved Instruments, Methods and Techniques

The University will undertake its treasury management activities by limiting its investing activities to only those instruments, methods and techniques detailed in Appendix 1 to this document and within the limits and parameters defined in TMP 1 (Risk Management).

6.5 Organisation, Clarity and Segregation of Responsibilities

6.5.1 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.

6.5.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

6.5.3 The Director of Finance and Planning will reasonably ensure that at all times those engaged in treasury management will follow the policies and procedures agreed by the University. The Director of Finance and Planning will also ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The delegations to the Director of Finance and Planning in respect of treasury management are set out in the University's Financial Regulations.

6.6 Reporting and Management Information Requirements

The Director of Finance and Planning will prepare an annual report for the Infrastructure & Resources Committee for the purposes of monitoring the implementation of treasury management policies; the effects of decisions taken and transactions executed in pursuit of those policies; the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function. This includes compliance with treasury risk policy limits.

Ad hoc reports will be prepared for the Board of Governors where any policy or funding arrangement is breached or forecast to be breached. Reporting should include explanation for such breaches, exception/s sought (for policy breaches) and recommended corrective action/s.

The following matters will be reported annually to the Board of Governors at the time of their review of this policy as outlined in Appendix 2.

- Annual report on treasury operations for the year.
- Analysis of deposits and investments by instrument, counterparty, maturity and interest period.

6.7 Budgeting, Accounting and Audit Arrangements

The Director of Finance and Planning will present to the Board of Governors the annual budget to include income and costs associated with treasury management activities. The Director of Finance and Planning will exercise effective controls over this budget and will report upon and recommend any changes required.

The University will account for its treasury management activities in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The University will ensure that its auditors and any other bodies charged with regulatory review 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, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

6.8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University and its subsidiaries will be under the control of the Director of Finance and Planning and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a semi-annual basis and will be presented to the Infrastructure & Resources Committee semi-annually for monitoring and review.

6.9 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. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained and fully aware of the University's Fraud Prevention and Money Laundering Policies.

6.10 Staff Training and Qualifications

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. The Director of Finance and Planning will therefore 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.

6.11 Use of External Service Providers

The University recognises the potential 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.

The University will also ensure that the terms of any external appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. 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 and setting the treasury strategy. Where services are subject to formal tender or re-tender arrangements, the University's Procurement Policy will be observed.

6.12 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.

6.13 Banking Arrangements

The University recognises the importance of ensuring effective control over its bank accounts. In line with the Financial Regulations, all funds due to the University are deposited in accounts with the University's main bank unless otherwise approved by the Director of Finance and Planning. Banking arrangements will be subject to periodic review.

7.0 Associated Documents

Appendix 1 and Appendix 2.

8.0 Equality Impact Assessment

There is no adverse equality impact within this policy. All responses to breaches of rights will be dealt with in accordance with this Policy, Procedure, and relevant Appendices irrespective of an individual's specific characteristics.

9. Version Control

VNº	Author	Date Approved	Updates	Next Review
V6	J Baines	11 Jan 24	New format and Updates	Jan 2026

Appendix 1

Treasury Risk Management

A. Interest Rate Risk Management

The University is to appropriately manage exposure to interest rate risk in line with policies and considerations set out in this document.

The Director of Finance and Planning will have regard to the maturity profile of the University's borrowings and market funding costs, taking into account the University's credit position, before undertaking any borrowing.

The University will not enter into any hedging agreement unless the University leadership Team identify a specific need (such as being embedded into a loan agreement), the use of an interest rate hedging instrument must be approved by the Infrastructure & Resources Committee.

B. Foreign Exchange Risk Management

The University's policy is to appropriately manage exchange rate risk in line with the policies and guidelines set out in this document. Currency receipts and payments should be forecast on a regular basis.

This should take into account University monies received and held in foreign currency to best manage foreign currency payments.

With regard to the projected inflow and outflow of overseas currencies, the Director of Finance and Planning will consider whether the purchase of forward foreign exchange contracts to hedge fluctuations may be necessary to reduce foreign exchange exposures. Forward foreign exchange contracts will only be used for hedging purposes against extant or forecast foreign currency exposures.

The Director of Finance and Planning is authorised to buy and sell currencies and enter into foreign currency agreements with any of the organisations listed below:

Institution	Limits
University Bankers	$15 Million €10 Million
Other Banks	$10 Million €5 Million
Financial Brokers Regulated by the FCA (for currently purchases / sales only)	£10 Million €5 Million

The limits set out above may be amended only with approval of the Board of Governors.

C. Financial Credit Limits for Counterparties

Subject to the associated credit quality restrictions, the Director of Finance and Planning is authorised to enter into treasury financial transactions with counterparties up to the following limits.

Counterparties (Subject to credit quality limits)	Limits
University's Bankers (this level is identified to cover transitionary periods between receipt of funds and investment, it also covers the call back of funds to repay interest and capital loan repayments)	£20m
Other Banks (other than for including investment purposes]	£5Million
Money Market Funds	£10 Million
Certificates of Deposit (Certificates of deposit are issued over a wide range of maturities to provide flexibility and liquidity into the investment portfolio – this is a portfolio limit not specific to one bank.)	£100Million
UK Government Bonds	£50 Million
UK Corporate Bonds	£50 Million

The limits set out above may be amended only with the approval of the Board of Governors.

D. Approved Counterparty Credit Rating Limits

The Director of Finance and Planning is responsible for monitoring closely the credit standing of approved counterparties. Treasury financial transactions will only be entered into with organisations with credit ratings attracting at least the following with 2 agencies.

Minimum Credit Rating

	Moody's	**Moody's**	**S&P**	**S&P**	**Fitch**	**Fitch**
Counterparties	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
University's Bankers Lloyds	P-2	A2	A-2	A	F2	A
Other Banks	P-2	A2	A-2	A	F2	A
Money Market Funds	N/A	AAA	N/A	AAA	N/A	AAA
Corporate Bonds (for investment purposes)	P-2	A2	A-2	A	F2	A
UK Government Securities (Treasury Bills & Gilts)	N/A	N/A	N/A	N/A	N/A	N/A

Where there is a breach of a counterparty credit risk policy limit, a Policy Exception Report will be submitted as per this document.

The University will hold deposits of 10% or £10m, whichever is higher, with only one institution, with the exception being the University Bankers for its operating account where the limit is 20m.

The above investment limits are to be applied to total group exposures to each entire banking group. The appropriate rating criteria must be met by any individual banking group company which is a deposit counterparty. Deposits should not be placed with subsidiaries which are not rated unless a guarantee structure is in place from a suitably rated entity. Parent company ratings should not be assumed to automatically apply to subsidiaries.

E. Approved Instruments, Methods and Techniques

Approved Instruments – Investments

The overriding principle guiding the investment of surplus funds is to optimise return while maintaining security of capital and reducing risk to a level acceptable to the University.

The types of investment that may be represented in the cash management portfolio include securities and money market instruments listed below (all denominated in sterling), subject to approved counterparties.

(i) Bank or building society deposits.
(ii) Bank or building society certificates of deposit.
(iii) Money market funds.
(iv) Certificates of Deposit.
(v) UK Corporate Bonds.
(vi) UK Government Bonds.

These investments are limited to the approved counterparty list and the operative financial and credit rating limits set within this policy.

Approved Instruments - Borrowing

The following borrowing arrangements are Approved Instruments:

(i) Bank term loan.

(ii) Bank revolving credit facility.

(iii) Listed public bond.

(iv) Private placement – (Capital investment from a local authority or private company; any such arrangements should be approved by the Board of Governors).

(v) Inter-company loans.

F. Refinancing

Where seeking new funding or refinancing existing funding, the Director of Finance and Planning will have regard to:

- Covenant and consent requirements, arising from existing funding arrangements.
- Security availability, if funding is on a secured basis, and any restrictions this may place on use of its future assets and its future security availability.
- Pricing and terms that best support the University’s treasury and financing objectives.
- Taking into account treasury policies as per this document.
- Statutory restrictions and the institution's own powers and rules.

Appendix 2

A Treasury Performance Measurement

1. Frequency and process for tendering

The following services, where provided, will be subject to tender every 3 to 5 years. The tender process will be that followed by the University, contained within the procurement policy.

- Fund Management Services.
- Financial Advisory Services.
- Cash management, money broking services and general financial advice.

2. Performance Management

Benchmarks and reporting requirements as set out in agreement with the Fund Manager, with reporting to be provided monthly.

B. Organisation, Segregation of Responsibilities and Dealing Arrangements

1. Infrastructure and Resources Committee and/or Board of Governors

- Approval of and consideration of amendments to the organisation's treasury management policy and practices.
- Budget consideration and approval.
- Receipt of and consideration of treasury management performance reports
- Approving the selection of external service providers and agreeing terms of appointment.

2. Director of Finance and Planning

Recommending the treasury management policy and practices for approval annually by the Board of Governors, as well as reporting and monitoring compliance annually to the Infrastructure and Resources Committee:

- Cash flow and business plan reporting and monitoring.
- Funding and liquidity requirements.
- Funding arrangements, existing and forecast covenant compliance.
- Submitting regular treasury management policy reports, including compliance with defined treasury policy limits.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function and promoting best value reviews.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Recommending the appointment of external service providers.

3. Deputy Director of Finance and Planning and Chief Accountant

- Execution of transactions.
- Adherence to agreed policies and practices on a day-to-day basis.
- Maintaining relationships with third parties and external service providers.
- Supervising treasury management staff.
- Monitoring performance on a day-to-day basis.
- Submitting management information reports to the Director of Finance and Planning.
- Identifying and recommending opportunities for improved practices.

C. Reporting Requirements

The following matters should be included in the Annual Report to the Board of Governors.

- Commentary on treasury operations for the year.
- Investment Return / Performance metric showing return vs Benchmark (SONIA) during the course of the year for overall portfolio as well as individual investments.
- Borrowing level, and details of outstanding loans.
- Annual financial strategy for the next financial year. Which will cover:
  - A strategy for funding the University's borrowing requirements and investing surplus cash for the period covered by the forecast.
  - details of the University's strategy for refinancing maturing borrowings (if any), for re-negotiating fixed rate periods within variable rate borrowings and for financing new borrowing requirements over the next three years.
- Proposed amendments to the treasury management policy.
- Matters in respect of which the treasury management policy has not been complied with.
- Analysis of currently outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover period.
- Cash flow compared with budget.
- Commentary on continued applicability of annual financial strategy and proposals for amendments thereto.
- Revisions to following 12 months cash flow forecast and to estimates of future interest rates; effect on the annual financial strategy and on the revenue budget.