



# THE UNIVERSITY *of* EDINBURGH

## TREASURY MANAGEMENT POLICY

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# THE UNIVERSITY *of* EDINBURGH

## TREASURY MANAGEMENT POLICY

### 1 Purpose

This document sets out the University's policy, as agreed by the Court, on raising capital finance and investing cash. It also deals with internal movements of funds between accounts established by the University.

This document has been adopted by the University as part of its financial regulations and covers the institution and all its subsidiary undertakings, with specific Memoranda of Understanding where particular terms apply. This document is made available to both internal and external audit for information purposes.

There is a separate policy for managing endowment and cash funds that are under the remit of the Investment Committee:  
<https://www.ed.ac.uk/finance/about/sections/financial-information-reporting-strategy-team/investments-and-endowments/investment-committee>

The University recognises the importance of good practice in the field of treasury management and asks the Policy and Resources Committee (PRC), on behalf of the Court to review the policy annually.

### 2 CIPFA Code

This policy statement follows the guidance outlined in *Treasury Management in the Public Services - Code of Practice and Cross-Sectoral Guidance Notes* published by The Chartered Institute of Public Finance and Accountancy (CIPFA) updated in 2017. The Code and Guidance notes have been designed for the use of institutions including higher and further education institutions.

The CIPFA Code recommends that the University's Treasury Management Policy Statement adopt the following forms of words to define the policies and objectives of its treasury management activities:

1 The University defines its treasury management activities as:

The management of the University's investments and 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.

2 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.

3 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.

The CIPFA Code identifies three key principles:

1 Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

2 Policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

3 The acknowledgement that 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 their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

The University will follow the CIPFA recommendation that the University adopts, as part of their standing orders and financial regulations, the following four clauses.

1 The University will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
- suitable treasury management practices (TMPs), setting out the manner in which the University will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the University. Such amendments will not result in the University materially deviating from the Code's key principles.

2 The University's PRC will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

- 3 The PRC delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Director of Finance (DoF), and for the execution and administration of treasury management decisions to the Director of Specialist Services, who will act in accordance with the University's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 4 The University nominates the PRC to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **3 Treasury Management Practices**

The University's TMPs include the following areas that are relevant to its treasury management powers and the scope of its treasury management activities.

#### **3.1 Risk Management**

##### **3.1.1 General statement**

The University regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The DoF will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in 3.6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements that seek to ensure compliance with these objectives are set out in the appendices to this document.

### **3.1.2 Credit and counterparty risk management**

The University will ensure that its counterparty lists and limits listed in Appendix 1 reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in 3.4 Approved instruments, methods and techniques and listed in Appendix 2 to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

### **3.1.3 Liquidity risk management**

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 objectives.

The University will only borrow in advance of need where there is a clear business case for doing so and will ordinarily only do so for the current capital programme or to finance future debt maturities.

The principal factor governing the exposure of surplus funds to interest rate movements is the institution's cash flow forecast. Where surplus funds are required to meet possible cash outflows in the near future they will necessarily be deposited short term for periods, which will ensure that funds are available should they be required. For investment for longer periods, the financial strategy will give guidance on interest rate exposure policy.

The overriding principle guiding University cash investment is the preservation of capital value. The DoF has delegated authority to invest the cash managed by the University in accordance with the financial strategy and in accordance with the terms of this statement. The DoF is authorised to deposit or invest funds only with the organisations and subject to the limits set out in Appendix 1 of this statement and approved annually by the Investment Committee.

### **3.1.4 Interest rate risk management**

The University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with 3.6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved 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 in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the strategy.

### **3.1.5 Exchange rate risk management**

The University will manage its exposure to fluctuations in exchange rates so to minimise any detrimental impact on its budgeted income/expenditure levels. The University will in the ordinary course of business only hold funds in foreign currencies to cover forecasted payments due in such currencies. The DoF may review this position during periods of prolonged or exceptional market uncertainty to identify appropriate reserves to be maintained. Any surplus foreign currency balances over and above this requirement will be transferred into sterling at the best rate achievable.

### **3.1.6 Inflation risk management**

The University will keep under review the sensitivity of its treasury assets and liabilities in the context of the whole organisation's inflation exposures. The DoF will recommend any beneficial mitigation strategies for consideration.



### **3.1.7 Refinancing risk management**

The University will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is 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.

### **3.1.8 Legal and regulatory risk management**

The University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under 3.1 Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the University, particularly with regard to duty of care and fees charged.

The University recognises that future legislative or regulatory changes may affect its treasury management activities and, as far as it is reasonably able to do so, will seek to minimise the risk of these affecting adversely on the organisation.

Prior to entering into any borrowing or investment transaction it is the responsibility of the DoF to be satisfied by reference (if necessary) to the University's legal advisors that the proposed transaction does not breach any statute, the University's financial regulations or standing orders, the requirements of the Financial Memorandum with the funding council or any terms and covenants concerning borrowing. The Financial Regulations are published on the Finance website in the Policies and Procedures page:

<https://www.edweb.ed.ac.uk/finance/for-staff/financial-regulations-policies-and-procedures/financial-regulations-overview-page>

### **3.1.9 Fraud, error and corruption, and contingency management**

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, and will maintain effective contingency management arrangements, to these ends.

An annual review is carried out to evaluate areas of risk where the University is not insured. An assessment of the Treasury area is covered under such review and consideration is given to Fidelity and Crime cover. Professional Indemnity and Business Interruption is covered within the University's core insurance programme.

The University's Fraud Procedures document (July 2020) underpins the Fraud Policy (July 2020). They are to help prevent fraud and corruption and to develop an anti-fraud culture. They apply to all members of staff, students and external organisations. Reference to investigation in the Fraud Procedures will supplant the initial fact-finding and formal investigations of the HR procedures. HR disciplinary procedures must be followed when disciplinary action is taken. The procedure is published on the Finance website in the Policies and Procedures page:

<https://www.edweb.ed.ac.uk/finance/for-staff/financial-regulations-policies-and-procedures/policies-and-procedures>

### **3.1.10 Price risk management**

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 itself from the effects of such fluctuations.

## **3.2 Performance measurement**

The University is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the University's stated objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in Appendix 3 to this document. 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.

### **3.3 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 4 to this document.

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

The University will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in Appendix 2 to this document, and within the limits and parameters defined in 3.1 Risk management.

Where the University intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The University will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

### **3.5 Organisation, clarity and segregation of responsibilities, and dealing arrangements**

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

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.

If and when the University intends, as a result of lack of resources or other circumstances, to depart from these principles, the DoF will ensure that the reasons are properly reported in accordance with 3.6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The DoF will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The DoF will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out.

The DoF will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

The delegations to the DoF in respect of treasury management are set out in Appendix 5 to this document. The responsible officer will fulfil all such responsibilities in accordance with the University's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

### **3.6 Reporting requirements and management information arrangements**

The University will ensure that regular reports are prepared and considered on the implementation of its TMPs; on the effects of decisions taken and transactions executed in pursuit of those policies; on 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.

The University PRC will receive:

- an annual report covering the previous year's performance of the treasury management function along with the strategy/plan to be pursued in the coming year
- a mid-year review

The PRC, to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.

The PRC and audit committee will have responsibility for the scrutiny of treasury management policies and practices. The present arrangements and the form of these reports are detailed in the Appendix 6 to this document.

The DoF reports quarterly to the Investment Committee, which in turn reports to the PRC. An indication of matters to be included in the reports is set out in Appendix 6 to this statement. Other matters are drawn to the attention of PRC as appropriate.

### **3.7 Budgeting, accounting and audit arrangements**

The Director of Finance will prepare, and the University will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with 3.1 Risk management, 3.2 Performance measurement, and 3.4 Approved instruments, methods and techniques. The Director of Finance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with 3.6 Reporting requirements and management information arrangements.

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

### **3.8 Cash and cash flow management**

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the DoF, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the DoF will ensure that these are adequate for the purposes of monitoring compliance with 3.1.3 Liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in the Appendix 7 to this document.

### **3.9 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. The present arrangements, including the web form, is published on the Finance website in the Policies and Procedures page: <https://www.edweb.ed.ac.uk/finance/for-staff/financial-regulations-policies-and-procedures/new-anti-money-laundering-policy>

### **3.10 Training and qualifications**

The University's Finance Department has a strong commitment to providing appropriate professional training. 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 and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The DoF will recommend and implement the necessary arrangements.

The DoF will ensure that staff members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

### **3.11 Use of external service providers**

The University recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in 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 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 documented, and subjected to regular review. It will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the DoF.

### **3.12 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 treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The University has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management and the DoF will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

## **4 Management practices for non-treasury investments**

The University recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes investments in subsidiaries.

The University will ensure that all the University's investments are covered by an appropriate strategy, and will set out, where relevant, the University's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The University's Finance department (FIRST) will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the University's risk exposure.



## Appendix 1

### Counterparty lists and limits

The overriding principle is a focus on security, liquidity and yield in that order.

In order to maintain a level of counterparty risk diversification, the overriding maximum counterparty limit is set at the lower of the following specific counterparty absolute limits and 20% of the Treasury investment managed portfolio.

The following is to be used as a standard minimum credit criteria to create and manage approved counterparty lists and limits:

- Counterparties must achieve a minimum of two out of three combined ratings from the following main credit rating agencies for the respective term:

<b>Minimum Long-Term rating and respective Maximum Term</b>						
<u>Rating Agency</u>	<u>Rating</u>	<u>Term</u>	<u>Rating</u>	<u>Term</u>	<u>Rating</u>	<u>Term</u>
Fitch	A-	6 mth	A+	1 yr	AA-	2 yr
Standard & Poors	A-	6 mth	A+	1 yr	AA-	2 yr
Moody's	A3	6 mth	A1	1 yr	Aa3	2 yr

The above results in an "Investment Grade: High" rating as a minimum over at least two of the three rating agencies.

- Low Volatility Net Asset Value Short-term Money Market Funds and Variable Net Asset Value Money Market Funds must achieve a minimum of an AAA credit rating from at least one of the main credit rating agencies.

### Approved counterparty list and absolute limits:

#### Main relationship bank - maximum of £175m

Royal Bank of Scotland Group (RBS)

#### UK main banks per Policy – maximum of £150m per bank

Barclays

Lloyds Banking Group (LBG)

HSBC

### **Other banks per Policy – maximum of £50m per bank**

Bank of America

BNP Paribas

Credit Suisse

Santander UK

Societe Generale

Goldman Sachs

Any bank counterparties that have been added as exceptions to the general ratings rules will be reviewed at least annually or as and when their individual credit ratings change.

### **Building Societies – maximum of £10m per society**

Nationwide

### **AAA Rated Low Volatility Net Asset Value Short-term Money Market Funds - minimum AAA rated and maximum of £50m per fund**

Black Rock ICS Sterling Liquidity Fund – Core Accumulating, Currency GBP, ISIN: IE0004807107, SEDOL: 0480710, Ongoing charge 0.20%.

Aberdeen Standard Liquidity Fund (Lux) - Class L - 1 Inc, Currency GBP, ISIN: LU0779217453, SEDOL: B7XHCW2, Ongoing charge 0.08%.

Insight Liquidity Funds – Class 7 (accumulating NAV), Currency GBP, ISIN: IE00B5V6P283, Ongoing charge 0.10%.

LGIM Sterling Liquidity Fund – 4-Class GBP, Currency GBP, ISIN: IE00B29R7C68, Bloomberg: LGSTLI4 ID, Ongoing charge 0.10%.

### **AAA Rated Variable Net Asset Value Money Market Funds - minimum AAA rated and maximum of £50m per fund**

Federated Hermes Sterling Cash Plus Fund - Class 3 Shares Acc, ISIN: GB00B6TNT268, Ongoing charge 0.17%

### **Other Short-Dated Funds - maximum of £50m per fund**

BlackRock iShares £ Ultrashort Duration Bond UCITS - GBP Dist, Exchange Traded Fund, ISIN: IE00BCRY6441, SEDOL: BCRY644, Ongoing charge 0.09%

Vanguard Sterling Short-Term Money Market Fund - Short-term Variable Net Asset Value Fund, ISIN: GB00BGB6GZ57, Ongoing charge 0.12%.

## Managed Funds

### **Kingswood Wealth - maximum investment of £75m**

The investment parameters covering approved counterparties, minimum long-term credit ratings, counterparty limits, instruments and maximum maturity term to be reviewed at least annually.

Investment management fees are charged at 0.10% per annum and payable quarterly.

Performance, terms and value for money of the management contract should be reviewed every three years.

### **Asset Backed Security Funds - maximum investment £200m in total, maximum investment of £100m per fund**

MI TwentyFour Monument Bond Fund L Gross GBP Income – ISIN: GB00BDD9NH27, SEDOL BDD9NH2, Ongoing charge 0.38%.

Aegon European ABS Fund I GBP Hdg – ISIN: IE00BYWL4Q20, Ongoing charge 0.33%.

### **Endowment and Cash funds under the remit of the Investment Committee – maximum investment of £100m**

Surplus cash identified as not required within the next 2 years' time horizon may be considered for investment within the Endowment and Cash Funds.

### **Social Investment Funds - max £8m for up to 10 years**

Investment Name	Commitment £k
Big Issue - SEIF II	1,000
Big Issue - Power up Scotland	500
Prosper Social Finance	50
Social & Sustainable Capital	1,000
SIS Scottish Growth Fund	1,000
Unallocated	4,450
<b>Total Social Investments</b>	<b>8,000</b>

The DoF 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. Individual limits can be exceeded only with the prior consent of the Investment Committee ratified by the PRC.

## Appendix 2

### Approved instruments, methods and techniques

The following are approved for the use of Treasury under the policy:

- Money market term deposits
- Bank account deposits including call and notice accounts
- Certificates of Deposit
- Collective Investment Schemes (e.g. money market funds/exchange traded funds (ETFs), Asset Backed Security Funds/ETFs, corporate bond funds/ETFs, government bond funds/ETFs, inflation-linked bond funds/ETFs). Any ETFs should be physically-backed (own the underlying securities).
- Treasury Bills
- Gilts
- Fx spot, fx forward and fx swap contracts
- Corporate Bonds
- Government Bonds
- Inflation-linked Bonds
- Social Fund Investments
- Endowment and Cash funds under the remit of the Investment Committee

Financial derivatives covering interest/exchange rate swaps and options are not to be utilised unless formally approved by the PRC.

The DoF will prepare a recommendation for approval by the PRC of any new proposals to raise additional capital finance or redeem existing debt. The DoF cannot commit the institution to any borrowing for capital purposes without obtaining the specific authority of PRC, unless specified in the University's Delegated Authority Schedule (DAS).

<http://www.docs.sasg.ed.ac.uk/GaSP/Governance/Governance/DelegatedAuthorisationSchedule.pdf>

## **Appendix 3**

### **Performance measurement**

The criteria to be applied for evaluating the impact of treasury management is to address the overriding need for effective risk management.

When for testing value for money within specific treasury management areas the following will be considered:

- banking services – These services are subject to a formal tendering process to be carried out in line with Public Procurement Scotland guidance.
- money-broking services – When evaluating and reviewing the service consideration will be given to the access to counterparties with whom we do not already hold a direct relationship, market updates on offerings from counterparties meeting our minimum credit criteria and market forecasts.
- cash/fund management services - When evaluating and reviewing the service consideration will be given to the overall service covering administration, yield performance, market commentary and fees charged.
- consultants'/advisers' services – Consideration will be given to the quality of the specialised input provided and a market comparison of the associated costs.

Methods to be employed for measuring the performance of the organisation's treasury management activities include the use of monthly published inflation figures for benchmarking the investment returns.

## Appendix 4

### Decision making and analysis

The following records will be retained:

- Daily Treasury balance position
- Money market rates obtained from counterparties and brokers
- Dealing slips for all money market transactions
- Confirmations for investment and temporary borrowing transactions
- Confirmations from borrowing /lending institutions
- Contract notes received from fund manager(s)
- Fund manager(s) valuation statements

The following processes to be pursued:

- Cash flow analysis
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of opportunities for debt restructuring
- Review of borrowing requirement to finance capital expenditure
- Performance information (e.g. monitoring of actuals v budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns versus inflation benchmark)

In respect of every treasury management decision made the University will:

- Identify the nature and extent of the risks to which the University may become exposed
- Confirm the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- Ensure documentation is adequate both to deliver the University's objectives and protect its interests, and to deliver good housekeeping
- Ensure that third parties meet the University's creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive

## Appendix 5

### Organisation, clarity and segregation of responsibilities, and dealing arrangements

The Treasury section is subject to internal financial controls and is set-up in such a way as to achieve that an effective segregation of duties are in place between the preparer and authoriser, and based on an approved transaction.

Treasury management organisation chart:



The Investment Committee makes investment decisions and reports to Court through the PRC. The remit of the Committee is to consider the corporate governance and other related implications of the University's investments, in particular to consider strategic formulation and risk containment and to review and monitor both long and short-term investments. Information relating to the Investment Committee can be found at the following link: <https://www.ed.ac.uk/finance/about/sections/financial-information-reporting-strategy-team/investments-and-endowments/investment-committee>

The scheme of delegation for Treasury is as follows:

<b>Delegated power</b>	<b>Exercised by</b>
Approval and amendment of treasury management policy statement	Policy and Resources Committee
Amendment of list of approved organisations and limits	Policy and Resources Committee
Approval of financial strategy	Policy and Resources Committee
Approval of treasury systems document	Policy and Resources Committee
Application of approved strategy	Director of Finance
Treasury dealing with counterparties	Director of Finance/Deputy Director/ Director Specialist Services/Treasury Manager
Authorisation of cash transfers	Director of Finance/Deputy Director/Director Specialist Services/Treasury Manager
Borrowing and lending documentation	Policy and Resources Committee/Director of Finance



## Appendix 6

### Reporting requirements and management information arrangements

The DoF reports quarterly to the Investment Committee, which in turn reports to the PRC. An indication of matters to be included in the reports is set out in this appendix. Other matters are drawn to the attention of PRC as appropriate.

#### Financial strategy

The University's strategy for the application of its treasury policy is the financial strategy prepared by the DoF and approved by the Court through PRC.

Specific areas to be covered include the following:

1. Forecast cash flows
  - a) Forecast monthly cash flows for the next financial year and annual forecast for the next 10 financial years.
2. Maturity ladder of existing loans.
3. Interest rates
  - a) Analysis of present levels of short and long-term interest rates, comparison with historical trends and estimated trend movements in interest rates over the next financial year.
4. Proposals to be submitted to PRC for information and approval, included in Finance update from Investment Committee:
  - a) total outstanding borrowing
  - b) maximum proportion of interest payable on variable rate borrowing.
5. Strategy for financing new loan requirements over the next 10 years (if required):
  - a) proposed sources of finance
  - b) proposed maturity structure
  - c) whether fixed or floating rate (etc.) and if floating rate proposed rollover periods
  - d) suggested mechanisms for controlling interest rate exposure
  - e) estimated rates of interest
  - f) effect of proposed loans on the institution's overall security position
  - g) proposed new maturity ladder
  - h) estimated effect on revenue budget of financing strategy
  - i) expected maximum total outstanding and expected maximum proportion of interest payable on variable rate borrowing.
6. Cash Management:
  - a) the proposed strategy (type of instrument and maturity period) for each of:
    - i) cash earmarked for working capital or to repay loans;
    - ii) cash to be held available to meet contingencies;
    - iii) cash not held against an anticipated requirement.
  - b) The performance metrics used to monitor liquidity, solvency, resilience, and the control ranges.

7. Authority levels and changes to the organisations and limits set out in the treasury management policy.
8. Proposals for amendments to the treasury management policy

#### Matters to be included in reports to the Policy and Resources Committee

##### 1. Annual report

- a) Commentary on treasury operations for the year.
- b) Cash flow compared with budget and commentary on variances.
- c) Financial strategy.
- d) Proposed amendments to the treasury management policy statement.
- e) Policy compliance breaches.

##### 2. Quarterly reports

- a) Analysis of outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover period.
- b) Commentary on treasury operations for the period.
- c) Cash flow compared with budget and commentary on variances.
- d) Commentary on continued applicability of financial strategy and proposals for amendments if required.
- e) Revisions cash flow forecasts and to estimates of future interest rates; effect on financial strategy and on revenue budget.
- f) Proposed amendments to list of approved counterparties and to limits.
- g) Proposed amendments to treasury systems document.
- h) Policy compliance breaches.

## **Appendix 7**

### **Cash and cash flow management**

#### Annual forecast and strategy for investment and borrowing

Based on the annual forecast, the DoF will prepare for the approval of PRC:

- a) A monthly/quarterly rolling cash flow forecast of surplus funds and loan repayment requirements; and
- b) A strategy for funding the institution's capital finance proposals and lending surplus cash for the period covered by the forecast.

The results of applying the strategy will be reported regularly to PRC. Where applicable during the course of the year the DoF will recommend amendments to the strategy to PRC.

## **Appendix 8**

### **Glossary of terms**

CIPFA Chartered Institute of Public Finance and Accountancy

DAS Delegated Authority Schedule

DoF Director of Finance

ETFs Exchange Traded Funds

FIRST Financial Information Reporting and Strategy Team

LBG Lloyds Banking Group

PRC Policy & Resources Committee

RBS The Royal Bank of Scotland Group

TMPs Treasury Management Practices