



**UNIVERSITY OF
GREENWICH**

FINANCE DIRECTORATE

TREASURY MANAGEMENT POLICY

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Contents Page

1	Policy	Page 3
2	Cash Management	Page 4
3	Management of Risk	Page 4
4	Arrangement for Investment of Funds	Page 5
5	Asset Allocation	Page 5
6	Endowment & Long Term Funds	Page 6
7	Responsible Investment Policy	Page 6
8	Borrowing and Capital Finance	Page 6
9	Reporting	Page 7

TREASURY MANAGEMENT POLICY

1. Policy

- 1.1. Treasury management encompasses the management of the institution's cash flow, banking, and capital market transactions, the effective control of risk associated with these activities, and the pursuit of optimum performance consistent with that risk.
- 1.2. The University's Treasury Management Objectives are;
 - To effectively identify, manage and control treasury risk for assets held in the short to medium term (0-5 years)
 - To manage current account balances so that appropriate funds are available to meet day to day operational expenditure and working capital requirements;
 - to safeguard University cash balances through effective management and control of funds;
 - to ensure banking arrangements are secure and represent good value for money;
 - to optimise returns on funds under investment in the short to medium term within the constraints and risk tolerances established by this Policy;
 - to obtain approval from the Finance Committee and the Governing Body for the financing of capital projects in accordance with the delegated authority limits as set out in the Financial Regulations;
 - obtaining approval by the Governing Body for all borrowing.
- 1.3. The policy is within the context of the University's statutory framework, its Memorandum and Articles of Association, the OfS Terms and Conditions of Funding and relevant bond covenants.
- 1.4. Funds may only be placed/invested with institutions approved by the Finance Committee as part of an approved counterparty list, or otherwise directly approved by the Committee. Funds may be invested either directly by the Finance Directorate treasury management function, or via a Finance Committee approved manager.
- 1.5. The University's banker must be appointed by the Governing Body (see 3.7).
- 1.6. The establishment of any new banking facility must have the prior approval of University's Governing Body.
- 1.7. The allocation of funds across the agreed asset classes and solutions must comply with the requirements of this policy.
- 1.8. Endowment funds shall be accumulated with general University funds for the purposes of investment (see 6.1).
- 1.9. Borrowing and other capital financing requirements, including PFI/service concession finance must have the prior approval of the Finance Committee and the Governing Body. Where appropriate the approval of the OfS and Ambac (the bond guarantor) must also be obtained (see 7.2).
- 1.10. The treasury management function may only be undertaken in the University's Finance Directorate under the oversight of the Chief Finance Officer. Treasury activities must comply with the financial regulations and the requirements of this policy.

- 1.11. The Chief Finance Officer shall submit to the Finance Committee for approval an annual treasury management plan, together with updates on progress against the plan within the management accounts updates.
- 1.12. This policy is applicable to the University and all of its subsidiaries and was approved by the University's Governing Body on 15 November 2021.

2. Cash Management

- 2.1. Cash management is aimed at: -
 - ensuring the timely receipt of funds due to the University;
 - ensuring that sufficient funds are available to meet commitments as they fall due, and
 - maximising funds available for investment.
- 2.2. The University shall ensure that all debts are collected in a timely manner and creditors are paid in the most efficient manner when it is optimal to do so.
- 2.3. The University shall produce monthly, quarterly and annual cash forecasts to identify the availability of funds for investment. It must also make estimates of funds available for shorter periods (e.g. overnight) to maximise funds placed under investment.
- 2.4. Adequate information on investment rates must be obtained by the treasury management function to inform its investment decisions.

3. Management Of Risk

- 3.1. To minimise the risk of loss, the University must ensure that:-
 - funds are placed with financially strong institutions that meet minimum credit rating requirements;
 - these institutions are approved by the Finance Committee as part of approved counterparty arrangement or otherwise approved directly by the Finance Committee;
 - investments are in accordance with its asset allocation strategy (see 5 below);
 - the treasury management function is undertaken by authorised Finance staff, or otherwise by third party broker/cash manager(s) approved by the Finance Committee.
- 3.2. Short term funds up to a prescribed threshold may only be placed with institutions with long-term credit ratings as follows:-

S&P\Moody's	Max Investment
A-\ A3	£20m
A \ A2	£30m
A+\A1	£40m
AA-\Aa3	N\A

- 3.3. For the purpose of this requirement institutions/banks forming part of the same group are taken together for the purpose of determining the maximum investment.
- 3.4. The University's main banker (currently Barclays Bank) must meet the minimum credit rating thresholds but may temporarily exceed the related maximum investment thresholds set out in 3.2 above to facilitate day to day operations.

- 3.5. Where the credit rating of a bank or other financial institution falls below the minimum rating in 3.2 above, the Chief Finance Officer must inform the Finance Committee at its next meeting, or if circumstances dictate the Chair of the Finance Committee at an earlier time.
- 3.6. Short term investments may only be placed with financial institutions/banks on a counterparty list approved by the Finance Committee.
- 3.7. The University's banker (currently Barclays) must be appointed by the Governing Body.
- 3.8. The Chief Finance Officer shall put in place the necessary arrangements to ensure that treasury management activities are undertaken by authorised staff within the Finance Directorate only and that proper records are kept of funds under investment. These shall include the relevant authorisation levels for the reinvestment of funds.

4. Arrangement For Investment of Funds

- 4.1. Funds may be invested by:-
 - the Finance Team's treasury management function in approved bank and building society deposits.
 - an appointed Cash Manager. Funds may be placed with an approved cash manager or broker who makes day to day decisions on the placement of funds. Funds may only be placed with approved institutions on the approved counterparty list.
 - an appointed Investment Manager who also makes day to day decisions on the placement of funds in a diversified portfolio of investments. Funds may only be invested in permissible asset classes, as outlined in section 5.
- 4.2. Where the credit rating of a bank/financial institution falls below the minimum in 3.2 above, the Chief Finance Officer will determine whether the deposit(s) with the institution(s) in question are held to maturity.

5. Asset Allocation

- 5.1. Funds available for investment may be invested in:-
 - Cash or near cash instruments being deposits with approved banks, building societies and the Post Office; treasury bills
 - UK government securities, high credit quality international sovereign securities & supranational bonds
 - Local authority bonds
 - Money Market Funds & Cash Plus Funds
 - Structured Notes
 - Diversified Bond Segregated Portfolios or Funds
 - Diversified Multi-Asset Class Segregated Portfolios or Funds
- 5.2. Funds may be placed in cash or near cash instruments which are highly secure, transparent and offer varying degrees of liquidity, such as notice accounts, instant or term deposits, or certificate of deposits issued or guaranteed by approved banks, building societies and the Post Office with these investments denominated in sterling, US\$ or euros.
- 5.3. Funds may be invested in high quality sovereign, supranational, agency and provincial bonds (SSA's) which offer diversification, liquidity and yield alternatives to

cash. Such assets include treasury bills, UK government securities, overseas developed government bonds, supranational bonds and local authority bonds.

- 5.4. Money Market Funds and Cash Plus Funds offer high degrees of liquidity and counterparty diversification, with a typically high aggregate credit quality.
- 5.5. Structured Notes are investment products designed to offer an alternative risk/return profile for treasurers to potentially achieve diversified and enhanced returns versus traditional asset classes. They can offer full capital preservation or significant downside protection.
- 5.6. Bonds offer higher investment returns than available from bank deposits with the potential for modest capital growth. However, if the market price of the bond is marked down as a result of underlying financial under-performance of the issuer, or where market yields are increasing, they can result in capital losses when sold
- 5.7. Diversified Bond portfolios and funds are solutions with an underlying investment in a portfolio of bonds/fixed income securities. These strategies are professionally managed and risk is spread across a number of issuers, sectors and geographies.
- 5.8. Diversified Multi-Asset Class portfolios and funds are solutions with an underlying investment in a broad portfolio of different assets. These solutions are professionally managed to a risk profile, time horizon and investment objective consistent with the University's risk appetite and return ambitions over the medium term.

6. Endowment & Long Term Funds

- 6.1. The University has endowment funds under investment. These funds shall be accumulated with the general funds of the University for investment purposes.
- 6.2. The University's long term funds and endowment funds shall be invested for the long term benefit and sustainability of the institution.
- 6.3. A new Investment Policy has been created to treat the governance of the University's long term investments separate to the Treasury Management Policy.

7. Responsible Investment Policy

- 7.1. The University of Greenwich is committed to applying sustainability principles to its assets and operations.
- 7.2. The University believes that, in investing its funds over the short to medium term, regard must be made to environmental, social and governance issues. The University's investment manager is required to take into account these issues and, where possible, avoid any investment that does not align with the University's values.
- 7.3. Direct investment in bonds and equities should adhere to the more comprehensive responsible investment policy contained within the Investment Policy.

8. Borrowing and Capital Finance

- 8.1. All major capital projects must be approved by the Governing Body. This must include information on the project life, its cash flows, the rates used in discounting these, its financing and the cost of finance.

- 8.2. All borrowing (for whatever purpose) must have the prior approval of the Governing Body. The prior consent of Ambac (the bond guarantor) must also be obtained in line with contractual obligations.

9. Reporting

- 9.1. The Chief Finance Officer submit to the Finance Committee the annual treasury management plan for the forthcoming financial year, which is typically the June meeting.