



## Treasury Management Policy

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## **Index**

	Page
1. Introduction	4
2. Summary of Objectives	4
3. Cashflow	4
4. Working Capital Management	5
5. Banking Services	5
6. Investment and Deposit of Surplus Funds	5
7. Raising Finance	6
8. Legal Issues	6
9. Review and Reporting	6

## **Appendix**

External Fund Managers: Spiers & Jeffrey	7
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## **1. Introduction**

The purpose of this document is to outline the Financial Control Framework in place within the University of Abertay Dundee. Abertay is engaged in a wide range of activities which are both commercial and non-commercial in nature and is also accountable to a wide range of stakeholders and regulators.

Given the risk environment in which Abertay operate it is the aim of the treasury function to be risk averse and this is reflected in the policies set out below. The overall objective of the treasury function is to provide the University with access to sufficient funds while minimising the University's finance costs and exposure to exchange and interest rate movements.

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

In order to achieve the objectives set out below liaison and co-operation is required with staff throughout the University, including those of both a financial and non-financial nature. Budget holders and operational managers within the various University departments must be made aware of the treasury policies and objectives to ensure the future success and prosperity of the University.

## **2. Summary of Objectives**

In order to provide a framework for its treasury activities, the principal objectives of the treasury function shall be deemed to be:

- Ensure that sufficient liquidity exists within the University to meet its funding requirements.
- Ensure the University can service its debt by prudent management of interest expense and adherence to financial covenants.
- Ensure working capital and other operational cash needs of subsidiaries are appropriately funded.
- Management of surplus cash.
- Manage foreign exchange and interest rate risks (including any tax impact)
- Oversee the University's banking relationships.

## **3. Cashflow**

Cashflow reporting will be sufficient to allow the timely identification of cash shortfalls and deficits and to facilitate effective short term cash management.

- A cashflow forecast will be included in the budget submission to the Finance People and General Purposes Committee on an annual basis. This will identify clearly any potential borrowing requirements.
- The cashflow will be updated in light of actual outturns on a monthly basis and reported with the monthly financial report.
- Cashflow statements will include all known inflows and outflows to be analysed in accordance with the management accounting format. Significant capital expenditure will be separately identified.
- The cashflow will be formally reviewed and monitored by the Head of Finance on a monthly basis to ensure accuracy.

#### **4. Working Capital Management.**

Short term cash balances will be maximised through the effective management of debtors and creditors.

- Wherever possible creditors will be paid weekly by cheque/BACS in accordance with payment terms. Prompt payment discounts will be taken when economic to do so. Favourable payment terms will be sought during the tender process.
- Debtors will be chased in line with the University's debt collection policies.

#### **5. Banking Services**

Banking services provided by the University's bankers should be formally defined and would normally include the provision of merchant services, credit and procurement cards.

- Authority for the appointment of bankers and responsibility for banking arrangements is as defined within the financial regulations.
- Banking services will be monitored to ensure that the services provided are in accordance with the contract and are of a satisfactory standard.
- Bank charges will be monitored as they occur to ensure that they are in accordance with the contract.
- An annual review will be carried out as to the suitability of banking services provided and the number and operation of bank accounts held.
- An annual review will be carried out as to whether the banking services in conjunction with bank charges represent value for money.
- All payment instructions, including cheques must be signed in accordance with the bank mandate.
- When remitting payments, priority should be given to electronic methods as this is the most cost effective way of remitting funds to external organisations.

#### **6. Investment and Deposit of Surplus Funds**

The objective for the investment of available monies is to achieve the best possible return commensurate with the University's risk appetite and to meet the liquidity needs of the University. The overriding principle is to avoid risk rather than to maximise return. The criterion therefore is for security, liquidity and yield respectively.

- The University has appointed Speirs & Jeffrey as external fund managers to manage the investment of endowments, pensions provisions and surplus funds on terms of engagement negotiated by the University Secretary (Planning & Resources)
- The Head of Finance will monitor the credit worthiness and performance of approved deposit takers using reports provided by the fund managers. Regular reports on investment activity will then be submitted to the Finance Committee as appropriate.
- Details of permitted investments are attached in the appendices to this statement.
- The principal factor governing the exposure of surplus funds to interest rate movements is the University's cash flow forecast. Where surplus funds are required to meet possible cash outflows in the near future they will

- necessarily be deposited short term for periods which will ensure that funds are available.
- Abertay requires its officers to pay appropriate regard to relevant corporate governance, social, ethical and environmental considerations in the selection, retention and realisation of all investment vehicles.
  - Abertay is also to seek adequate assurance from its depositors that they satisfy these ethical requirements.

## **7. Raising Finance**

All borrowing requirements will be formally assessed and will be made subject to the limits and conditions determined by the Financial Memorandum of the Scottish Funding Council.

- The approval for entering into short and long term borrowing is as defined within the Financial Regulations and scheme of delegation.
- All financing options should be fully considered through the application of appropriate appraisal techniques which will include consideration of: borrowing requirement, available lenders, interest rate structures and margins, terms and conditions, arrangement fees, purpose and legality.
- The Head of Finance is responsible for ensuring that each financing event is fully documented, with sufficient evidence to support the decision made and show due authorisation processes have taken place.
- The Head of Finance will report to the Finance, People and General Purposes Committee on all recommendations for capital borrowing.
- The Finance, People and General Purposes Committee will consider potential sources of finance for recommendation to the Court on each occasion. These may include: Banks, Building Societies, Bond Issues, Financial Intermediary and Leases.

## **8. Legal Issues**

Prior to entering into any borrowing or investment transaction it is the responsibility of the Head of Finance to satisfy themselves by reference if necessary to the University's legal advisors that the proposed transaction does not breach any statute, the University's financial regulations, or the requirements of any financial regulations stipulated by the Scottish Funding Council.

## **9. Review and Reporting**

The Treasury Management Policy Statement will be subject to regular review by the Finance, People and General Purposes Committee and the Vice-Principal & Deputy Vice-Chancellor will provide progress reports to the Finance, People and General Purposes Committee on the activities undertaken as appropriate.

### External Fund Managers: Spiers & Jeffrey

Spiers & Jeffrey have been appointed to manage the investments of the University. Under the engagement terms agreed on their appointment, the following stipulations apply to any activities they carry out on the University's behalf.

- The types of investments that may be represented in the portfolio include securities and money market instruments listed below:
  - Shares in British or foreign companies.
  - Debenture stock, loan stock, bonds, notes, certificates of deposit, commercial paper and other debt instruments including Government, public agency, municipal and corporate issues.
  - Warrants subscribing to investments within any of the above.
  - Depository receipts or other types of instrument relating to investments within any of the above.
  - Unit trusts, mutual funds and similar schemes in the UK or elsewhere.
  - Investments similar or related to any of the above
  
- The restrictions on type of investment that may be made or the markets on which dealings may take place are as follows:
  - The Managers have no powers to enter into/or acquire options, futures or contracts for differences.
  - The maturity of any investment shall not exceed one year.
  - The Managers shall not have power on the University's behalf to commit it to supplement the funds in the portfolio without prior consent either by borrowing or by committing to a contract which may require the supplement of such funds.
  - The Managers may not commit the University to underwrite securities.
  - The Managers shall not invest for the University's account in any type of collective investment schemes.
  
- A copy of the investment parameters is attached for information.

## **Spiers & Jeffrey Investment Parameters**

### **General Restrictions**

Investment must be on a socially responsible basis. No equity holdings are permitted in organisations whose main activity is the manufacture or promotion of alcohol, tobacco, gambling or armaments.

### **Performance Measurement**

50% FT All Share Index (Total Return)

50% Local Authority Deposit Index (Total Return)

### **Portfolio Construction Ranges**

	%
Cash	0-10
Gifts/Fixed Assets	33-66
Equities	33-66

If due to changes in market values the percentages move out with the above bandings it will not be necessary for Spiers & Jeffrey to sell/buy investments in order to readjust the investment balance.

### **Equity Weightings**

No equity investment should exceed 15% of the total value of either fund without specific approval.

As above this percentage is flexible if a movement occurs due to the investments performance.