

## TREASURY MANAGEMENT POLICY STATEMENT

<b>Department</b>	Finance		
<b>Author</b>	Head of Finance		
<b>Authorised By:</b>	Director of Finance		
<b>Implementation By:</b>	Finance Department		
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### 1 Terms of Reference

This statement sets out Wrexham Glyndwr University and its subsidiaries (The Group) policy concerning the raising of capital finance, the investment of surplus monies and the internal movements of surplus funds between instruments and accounts established by the Institute. This statement is to be adopted by the Group as part of its Financial Regulations.

### 2 Definition and Scope

Treasury management comprises the management of all cash, money market investments and capital market transactions connected with the cash and funding resources of the Group and the identification and control of all associated risks.

Treasury management also necessitates ensuring procedures are in place to comply with related legislation e.g. the Money Laundering Regulations 2003 and the Proceeds of Crime Act 2002, and the Modern Slavery Act 2015.

**Raising of Capital Finance** - The policy of the Group on borrowing is to minimise the cost while maintaining both the stability of the Group's financial position and its integrity.

**Investment of Surplus Funds** - The objective for any lending or investing of funds is to achieve the best possible return whilst minimising risk, preserving capital value and protecting the good name and values of the University.

The overriding principle being the minimising of risk and adherence to University values over the maximising of return.

The Director of Finance and the designated members of staff (in Appendix A) are authorised by the Strategy and Finance Committee to:

- a) arrange the investment of surplus funds of the Group, to a maximum of £2,000,000, with any one of the organisations which meet the criteria set out in Appendix B and in asset classes with a maximum duration as set out in Appendix C.
- b) borrow funds subject to strategic approval by the Strategy and Finance Committee and Board of Governors.

### **3 Formulation of Treasury Management Strategy**

The Group's Treasury Management requirements are determined in the annual financial budget prepared by the Executive Director of Finance and approved by the Strategy and Finance Committee and Board of Governors of the Group.

The Executive Director of Finance will prepare annually for the approval of the Strategy and Finance Committee and Board of Governors of the Group:

- a) A forecast of surplus monies and loan repayment requirements (if any) for the forthcoming financial year; and
- b) A strategy for funding the Group's capital finance proposals (if any) and investing surplus cash for the period covered by the forecast.

In preparing the strategy the Executive Director of Finance will have regard to:

- c) the maintenance of a stable financial position for the Group;
- d) the current level of interest rates and forecasts of future changes in interest rates;
- e) the values of the University which are stated within University planning documents, e.g. the Strategic Framework within Governance documents
- f) the aggregate of all funds, loans and accounts operated by the Group

Based on the annual forecast the Executive Director of Finance will prepare annual rolling forecasts for the current year of the short term surplus cash for the purpose of applying the strategy on a day to day basis. When applicable the Executive Director of Finance will recommend amendments to the strategy to the Strategy and Finance Committee and Board of Governors.

The Executive Director of Finance has the delegated authority to apply the Group's strategy for depositing surplus funds and cash flow of the Group. In exercising these powers he/she will have regard to:

- g) liquidity risk management ensuring the Group has available and can access adequate, but not excessive, cash resources to enable it to deliver the business/service objectives

- h) the effect of possible changes in interest rates on the cost of borrowing and the return from investing
- i) legal and regulatory risk management by ensuring that all of the University's treasury management activities comply with its statutory powers and regulatory requirements
- j) market risk management: the Group will seek to ensure that its stated Treasury Management policy 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.

#### **4 Approved Methods of Raising Capital Finance**

The Executive Director of Finance, in conjunction with the Strategy and Finance Committee and the Board of Governors, will undertake on its behalf the borrowing activities of the Group. The Executive Director of Finance cannot commit the Group to any borrowing without obtaining the specific authority of the Strategy and Finance Committee and the Board of Governors.

The Executive Director of Finance will prepare for the Strategy and Finance Committee a report for any proposed capital borrowing.

In raising capital finance, the Executive Director of Finance will take account of:

- a) the Group's powers and rules
- b) statutory restriction
- c) the requirements of the Financial Memorandum with all relevant funding bodies
- d) terms and covenants of borrowing.

The Strategy and Finance Committee will provide advice to the Board of Governors on all potential borrowings, giving reference to HEFCW's requirements within the Memorandum of Assurance and Accountability 2015.

Loan facilities will be arranged only with organisations that are judged to have sufficient financial strength to ensure that the funds committed under the facilities will be available as and when they are required by the University Group in accordance with the terms of the loan agreement. This will normally mean that lending organisations are at least investment grade (rating BBB) and are able to demonstrate a long-term commitment to the higher education sector.

#### **5 Investing and Depositing of Surplus Funds**

The overriding principle guiding the investing of surplus cash balances is the preservation of the capital value of the Group's resources and adherence to University values. The Executive Director of Finance has delegated authority to invest surplus funds of the Group in accordance with the annual financial strategy and in accordance with the terms of this statement.

The Executive Director of Finance is authorised to invest ONLY in Treasury Deposit Accounts, interest bearing current accounts and similar instruments, as defined in appendix C, which preserve the Capital Value of the investment and minimise risk.

The Executive Director of Finance is responsible for ensuring the monitoring of the credit-worthiness of deposit takers using appropriate external sources of information, as defined in appendix B.

The principle 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 or instruments which are liquid.

The Group requires its officers to pay appropriate regard to relevant corporate governance, social, ethical and environmental considerations in the selection, retention, and realisation of all treasury investments. The Strategy and Finance Committee expects this to be done in a manner which is consistent with the Group's investment objectives, values and legal duties.

The Group is also to seek adequate assurance from its depositors that they satisfy these ethical requirements.

The portfolio of investments will be such that at no time should more than **£2,000,000** capital be invested with any one approved institution as defined in appendix B. These limits exclude the value of funds that may be based in general and business reserve accounts with institutions providing a basic banking service to the Group.

## **6 Liquidity Risk Management and Cash Reserves**

The Group will ensure it has adequate 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 business objectives.

An effective cash flow forecasting and monitoring system is in place to identify the extent to which the Group is exposed to the effects of potential cash flow variations and shortfalls.

To allow for unforeseen liquidity requirements, the Group will aim to hold drawdown facilities to cover up to one month of the Group's operating and payroll costs. This is currently around £3 million. However, the Group will aim to minimise the use of any drawdown facility as much as is practicable by holding sufficient cash reserves with the University's main banker.

The amount of funds available will be regularly reviewed and compared against the target level. Shortfalls will be investigated and actions taken to bring reserves in line with target.

The target level of available funds held will be reviewed following significant changes in funding, financial climate or other risks.

## **7 Legal Issues**

Prior to entering into any borrowing or investment transaction it is the responsibility of the Executive Director of Finance to satisfy him/herself by reference if necessary to the Group's legal advisers, that the proposed transaction does not breach any statute, the Group's financial regulations, or the requirements of the financial memorandum with Higher Education Funding Council for Wales.

## **8 Use of External Managers**

The Group may appoint external managers of its short term deposits. Their terms of engagement are subject to approval by the Strategy and Finance Committee and will be subject to annual review, as delegated in Appendix D.

## **9 Delegation**

The Group has drawn up and approved a scheme of delegation for the operation of treasury policy, a summary of which is set out in Appendix D.

## **10 Review and Reporting**

The Executive Director of Finance will provide the Strategy and Finance Committee with a regular report on cash flow and investment and an annual report on performance. This is to be undertaken with a view to assessing whether the current methods and instruments being utilised continue to represent best value. Consideration will be given in the review to alternative methods of investment and investment instruments, and whether they might be used to increase the level of return on investments within the policy objectives set by the Strategy and Finance Committee.

## **Appendix A – Designated Members of Staff**

Executive Director of Finance

Head of Finance

Finance Business Partners

Financial Accountant

## **Appendix B – Minimum rating for institutions and credit limits**

Financial institutions must meet two out of three of the following criteria (based on ratings agencies):

<b>Rating Agency</b>	<b>Type</b>	<b>Level</b>	<b>Rating</b>
Moodys	L/T	Minimum	A1
S&P	L/T	Minimum	A+
Fitch	L/T	Minimum	A+

Maximum credit limit per financial institution £2m.

## **Appendix C – Asset classes and maximum durations**

<b>Asset classes</b>	<b>Maximum durations</b>
Instant access	-
Fixed deposit	12 months
UK GVT Treasury Bill	12 months
UK GVT Gilts	12 months
Certificates of Deposit (T+0)	12 months
Financial Corporate Bonds	2 years

## **Appendix D – Scheme of Delegation for Treasury Policy**

**Delegated Power:**

**Exercised by:**

Approval and amendment of Treasury Management Policy	Strategy and Finance Committee
Amendment of list of approved organisation	Strategy and Finance Committee and Board of Governors
Approval of Annual Financial Strategy	Strategy and Finance Committee and Board of Governors
Application of approved strategy	Executive Director of Finance
Treasury Dealing with counterparties	Executive Director of Finance /Head of Finance
Selection/Use of External Managers – short term deposits	Executive Director of Finance
Authorisation of cash transfers	Executive Director of Finance /Head of Finance
Borrowing and lending documentation	Executive Director of Finance, Strategy and Finance Committee and Board of Governors
Banking and Dealing Mandates	Executive Director of Finance under the authority of Strategy and Finance Committee and Board of Governors

## ETHICAL INVESTMENT POLICY

<b>Department</b>	Finance Department		
<b>Author</b>	Head of Finance		
<b>Authorised By:</b>	Director of Finance		
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### 1 Purpose & Scope

To ensure that investments match the priorities and values of the Group, an Ethical Investment Policy has been developed. This Policy is intended to support the Group's aims to invest its funds with due consideration for ethical, environmental, corporate governance and social issues. The policy applies to all staff, students and other stakeholders of the Group and aims to give stakeholders a voice in ethical, environmental and sustainability matters.

### 2 Investment objective

The objective for any lending or investing of funds is to achieve the best possible return whilst minimising risk and preserving capital value. The overriding principle being the avoidance of risk over the maximising of return.

The Strategy and Finance Committee expects the selection, retention, and realisation of all treasury investments to be done in a manner which is consistent with the Group's investment objectives and legal duties. The Group also seeks adequate assurance from its depositors that they satisfy ethical requirements.

### 3 Ethical Investment

The Group will only invest in businesses that demonstrate a morally positive and sustainable approach to the environment, governance and society (excluding Financial Institutions).

When making investment decisions, the Group will:

- Apply good practice in human rights
- Ensure corporate decisions and actions give due consideration to the global environment and climate
- Ensure transparent investment processes and practices
- Engage in sustainable provision and procurement of resources and services
- Engage in best corporate governance practice
- Seek to increase investment in positive environmental activities, such as renewable energy companies or funds
- Not invest in activities which are considered to be unethical or alienate financial supporters or have a material negative impact on potential students
- Encourage anyone wishing to challenge the Group's practices on the grounds of ethical investment to raise their concerns

The Group will not make intentional direct investments (including through collective funds) in companies of the following type:

- Fossil Fuel companies
- Arms companies
- Corporations complicit in the violation of international law

The Group will aim to withdraw any existing investments that are found to breach ethical policy.

#### **4 Investment reports**

The Executive Director of Finance will regularly present Treasury Management reports to the Strategy and Finance Committee for review and consideration; these reports include details on ethical investment issues. The Strategy and Finance Committee will consult with and consider recommendations provided by the Vice-Chancellor's Board (at which there is student representation).

For any investments made, the nature of the sectors in which the Group invests in will be included within an Investment section of the annual financial statements. The Group's financial statements are made publically available on the internet.

#### **5 Policy Review**

This policy will be monitored, reviewed and approved on an annual basis by the Strategy and Finance Committee.

Progress reports submitted to the Strategy and Finance Committee will include an ethical investment section detailing progress made in respect of the policy's aims. To aid stakeholder feedback, where appropriate, the Group's progress in this matter will be raised at University Board meetings and Annual Open Meetings.

The Group's Ethical Investment Policy is available for members of the public to view under the Sustainability, Freedom of Information and Governance sections of the University's website. Students, staff and other stakeholders are encouraged to provide feedback on this policy.

To ensure effective engagement with this policy, the Strategy and Finance Committee will review all feedback received.



