

Treasury and Investment Management Policy

Reviewed November 2021

Change Log

Version	Summary of Changes	Submitted By	FIC/SPRC Meeting Reference *
October 2014	Annual review along with changes to text. A full list is provided at: https://direct.sussex.ac.uk/page.php?page=manage_document&trail=committees%2Cgroup_members&group_seq=8280&meeting_code=5457&document_code=64716&rel=AUTH	Carey McLaughlin	FIC-15-6
November 2015	Extension of Counterparty Limits (page 16) in view of forecast increased liquidity of the University	Carey McLaughlin	FIC-19-6
November 2016	No Changes, Socially responsible investment policy (C228/5) to be incorporated following implementation to be completed 2016/17	Carey McLaughlin	FIC-23-8
July 2017	New maximum deposit amounts of £15m (F1/A) and £20m (F1+/AAA) are approved where the total cash balance held is in excess of £100m and that new maximum deposit amounts of £20m (F1/A) and £25m (F1+/AAA) are approved where the total cash balance held is in excess of £150m.	Carey McLaughlin	FIC-29-6
February 2018	Addition of the Socially Responsible Investment Policy to Appendix 3	Carey McLaughlin	SPRC/4/7
October 2018	Update counterparties, bank accounts and approved instruments	Carey McLaughlin	SPRC/8/10
May 2019	Update maximum investments with individual counterparties & addition of KW Institutional as approved fund managers in Appendix 1. Update counterparty list in Appendix 2	Carey McLaughlin	SPRC/11/11
November 2020	Addition of new CNH current account.	Carey McLaughlin	SPRC/18/5
November 2021	Addition of Barclays as investment manager	Carey McLaughlin	SPRC/23/13

*All changes and amendments to the published document are presented to the University's Strategy Performance and Resources Committee for approval at their termly meetings. The reference given is for the meeting and document at which the proposed changes were approved

Introduction

The University defines its treasury management activities as;

“The management of the University’s (including subsidiaries where material) 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.”

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 University.

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 University adopts the key recommendations of CIPFA’s *Treasury Management in the Public Services: Code of Practice* (the Code), as described in Section 4 of that Code. Accordingly, this document sets out the policies and objectives of the treasury management activities and practices which will create and maintain the cornerstones for effective treasury management and how it will manage and control those activities and associated risks.

This document incorporates the Investment Policy as Appendix 2 to the document setting out specifics relating to investments held in excess of ongoing working capital cash requirement.

The University’s plans and management of its borrowings are carried out under the separate Borrowings Strategy approved by Council from time to time.

1. Risk Management

- 1.1 The Director of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and 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 University’s objectives in this respect, all in accordance with the procedures set out in the treasury management practice on reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in Appendix I of this document.

Credit and Counterparty Risk Management

- 1.2 The University regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques listed in Section 4 of this document. The list will be reviewed on a continuing basis but at least annually. The Finance Director will have the power to temporarily remove (and then to reinstate) any counterparty if any current issues should result in doubts over that counterparty’s ability to repay funds. The University will keep well documented records of the standing of third parties it does or may deal with, and continuous access to independent sources of advice and information of the same.

Liquidity Risk Management

- 1.3 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 business/service objectives. It will do this by maintaining an effective cash and cash flow forecasting and monitoring system which will identify the extent to which the organisation is exposed to the effects of potential cash flow variations and shortfalls.

The University will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme.

Interest Rate Risk Management

- 1.4 The University will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing interest revenues, while maintaining the security of the invested funds, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with the treasury management practice on reporting requirements and management information arrangements. It will achieve this in two ways, first by using reliable and informed sources of information and advice on the likely future courses of interest rates, exchange rates and inflation, to enable it to assess future treasury risk and scenarios, and to permit the effective management and control and development of suitable risk management strategies and secondly by the prudent use of its approved financing and investment 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.

Exchange Rate Risk Management

- 1.5 The University will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. The University will retain funds in currencies only to the extent that payments are due to be made in these currencies. Currency receipts surplus to this will be transferred into sterling at the best rate achievable, but always retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level of exchange rates.

Inflation Risk Management

- 1.6 The effect of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the University as an integral part of its strategy for managing its overall exposure to inflation.

Refinancing Risk Management

- 1.7 The University has a separate approved Borrowing Strategy which is agreed by Council and sets out principles and objectives for loan funding for the University including periodic review and managing refinance risk.
- 1.8 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 are 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 light of market conditions prevailing at the time. It will manage this by keeping reliable records and forecasts of the terms and the maturities of its borrowings, capital, project and partnership funding which will allow it to plan the timing of, and successfully negotiate appropriate terms for refinancing. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and Regulatory Risk Management

- 1.9 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 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 a duty of care and fees charged. Comprehensive documentation of the organisation's legal powers and regulatory requirements, and those of its counterparties will be kept to allow assessment of the potential for illegal or irregular dealings in its treasury management activities.
- 1.10 The University further recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Fraud, Error and Corruption, and Contingency Management

- 1.11 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. It will keep full analysis and records of the processes pursued in making treasury management decisions, and in executing transactions, to enable an organisation to create a successful audit trail, and to allow it to assess the need for contingency arrangements. Fidelity insurance cover will be taken out and the responsible officials included within it.

Market Risk Management

- 1.12 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. Full analysis and records of the processes pursued in making treasury management decisions, and in executing transactions, will be kept to enable the organisation to create a successful audit trail, and to allow it to assess the need for contingency arrangements.

2. Performance Measurement

- 2.1 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.
- 2.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the University's stated business or service 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.
- 2.3 The performance of the treasury management function will be measured and its performance compared to approved performance measures as follows:

Cash balances

- 2.4 The University's cash balances can be distinguished between temporary cash surpluses (working capital) and core investment cash.

It is recognised that returns on temporary cash surpluses cannot be measured in the same way as returns on core investment cash.

Temporary Cash Surpluses will be measured against OVERNIGHT SONIA averaged for each calendar month.

3. Decision-making and Analysis

3.1 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.

3.2 In respect of all decisions the University will:

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

Investments

3.3 In respect of investment decisions, the University will:

- Consider the optimum period in the light of cash flow availability and prevailing market conditions
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the University to changes in the value of its capital.

Borrowing

3.4 In respect of borrowing and other funding decisions, the University will:

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding
- Consider the ongoing revenue liabilities created, and the implications for the University's future plans and budgets

3.5 In raising finance the Finance Director is authorised to apply to borrow using only the sources and methods set out in section 4 below. When considering raising finance the Finance Director and designated staff will have regard specifically to:

- the University's powers and rules
- statutory restrictions
- the requirements of the financial memorandum with the funding council
- terms and covenants of borrowing.
- the level of security required for the project
- the value of assets already held as security on existing capital projects, and

- the maximum level of assets that should be provided as security without risking the overall stability of the University.
- effect of future movements in interest rates

The Finance Director, in conjunction with the governing body, will undertake on its behalf the borrowing activities of the University. Specific authority must be obtained from Council for any borrowing. A report will be prepared for approval by Council of any new proposals to raise finance. Each proposal will include the details listed below:

- borrowing requirement
- proposed lender
- interest rate structure - fixed, variable, variable with option to fix, index linked, deferred interest
- interest rate base - base plus lender's margin
- arrangement fees
- security arrangements
- purpose (with cash flows)
- comparison with alternatives
- compliance with approved borrowing strategy
- arrangements for draw-down

4. Approved Instruments, Methods and Techniques

4.1 The University will undertake its treasury management activities by employing only those instruments, methods and techniques detailed below and within the limits and parameters defined in the treasury management practice on risk management.

4.2 Approved Sources of Finance

- UK and European banks
- UK building societies
- North American financial institutions
- Leasing Companies
- Insurance Companies
- Pension Funds
- Investment and Unit trusts
- UK companies
- UK Government
- EC agencies
- UK local authorities
- HEFCE and other UK Government agencies
- UK Bond Market
- UK Lottery agencies

- UK and European trusts and charities
- Housing Associations
- Private individuals

Positive approval will be given by the appropriate body in each specific case.

Approved Methods of Borrowing/Raising of Finance

a) Legal Form

- Mortgages secured on property collateral
- Term Loans (secured or unsecured)
- Finance Leases (buildings and equipment)
- Debentures
- Equity (Ordinary or Preference shares)
- Gifts, grants and donations

b) Nature

- Variable linked to base rate
- Variable linked to LIBOR (London Inter-Bank Offered Rate)
- Fixed by way of initial fixed rate
- Fixed by use of derivatives (options/swaps etc.)
- Index-linked
- Deferred interest

5. Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

- 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.
- 5.2 The University 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, and an annual report after its close, in the form prescribed in section 6 below.
- 5.3 The University delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategy Performance and Resources Committee, and for the execution and administration of treasury management decisions to the Finance Director, who will act in accordance with the organisation's policy statement and treasury management practices and, if he/she is a CIPFA member, CIPFA's standard of Professional Practice on Treasury Management. A summary of delegated responsibility is detailed below.

Delegated Power**Exercised By**

Approval of treasury management policy

Strategy Performance and Resources
Committee

Approval of counterparty list

Strategy Performance and Resources
Committee

Approval of instruments, methods and techniques

Strategy Performance and Resources
Committee

Approval of annual strategy

Strategy Performance and Resources
Committee

Approval of treasury systems document

Director of Finance

Application of approved strategy

Director of Finance

Assistant Director Finance (Corporate
Services)

Senior Corporate Accountant

Authorisation of investment instructions

Director of Finance

Assistant Director Finance (Corporate
Services)

Senior Corporate Accountant

Redemption of funds to a University Account

Director of Finance

Assistant Director Finance (Corporate
Services)

Senior Corporate Accountant

Authorisation of cash payments arising from investment instructions In accordance with bank mandate

Delegated Power	Exercised By
Raising of capital finance	Strategy Performance and Resources Committee Council Finance Director Cheque signatories (minimum of two signatures)
Bank and dealing mandates	Finance Director
Authorisation of terms of reference of external managers	Finance Director Chief Operating Officer
Approval to opening bank accounts	Strategy Performance and Resources Committee
Authorisation of new accounts	Finance Director Vice-Chancellor Chief Operating Officer Chair of SPRC (two signatures)

The Finance Director and designated members of staff, as indicated, are authorised, subject to the provisions of the policy statement, to:

- deposit surplus funds with, and purchase certification of deposit issued by, any of the organisations listed in Appendix I of this statement and up to a maximum limit or sub-limit specified for each individual organisation, and
- borrow funds subject to the strategy agreed by the Strategy, Performance and Resources Committee.
- invest endowment funds and other balances held long term on the stock market.
- operate foreign bank accounts to the extent that they are necessary to facilitate the operational activities of the University. Foreign currency exposure currently extends to the holding of euro and US dollar balances.

The Senior Corporate Accountant will prepare and maintain systems documentation relating to the treasury function, detailing the procedures in place to ensure delivery of the approved policy. These will be reviewed in full on an annual basis, and revised where appropriate.

6. Budgeting, Accounting and Audit Arrangements

- 6.1 The Finance Director will ensure that the Treasury Management function is adequately resourced in the annual budget. This budget will be monitored and controlled by the Finance Director and results will be reported quarterly to both the Finance Director and the Treasurer.
- 6.2 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.
- 6.3 The University will ensure that its auditors, and those charged with regulatory review, have access to all the 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.

7. Cash and Cash Flow Management

- 7.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the Strategy, Performance and Resources Committee, 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 Finance Director will ensure these are adequate for the purposes of monitoring compliance with treasury management practice on liquidity risk management. The present arrangements for preparing cash flow projections, and their form, are set out in Section 12 of this document.

8. Money Laundering

- 8.1 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 area are properly trained. An updated policy on staff responsibilities in alerting cases of Money Laundering was issued to relevant staff in October 2011.

9. Staff Training and Qualifications

- 9.1 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 Finance Director will recommend and implement the necessary arrangements.
- 9.2 The Finance Director will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, receive training relevant to their needs and those responsibilities.

10. Use of External Service Providers

- 10.1 The University recognises that whilst at all times responsibility for treasury management decisions remains with the University there is 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. 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 over reliance 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.
- 10.2 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. The University will normally seek to invest its endowment funds in long-term securities. Its objective in relation to such funds will be to achieve acceptable levels of capital growth and revenue as determined at the time of engagement.

11. Corporate Governance

- 11.1 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.
- 11.2 The University has adopted and has implemented the key recommendations of the Code. This together with the other arrangements detailed in the appendices to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Finance Director will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12. Reporting and Management Information Arrangements

- 12.1 The Resource Accountant will ensure that the Finance Director receives the Quarterly performance reports from the Investment management Companies and a termly monitoring statement on the implementation and performance of the Treasury function so that he can consider the effects of decisions taken and transactions executed in pursuit of treasury management policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market and other factors affecting its treasury management activities; and on the performance of the Investment managers and treasury management function. Such reports will be available for any member of the Strategy Performance and Resources Committee on request.

The Strategy Performance and Resources Committee will meet at least three times a year, once during each of the academic terms. At the autumn meeting the Committee will be presented with an Annual Strategy Report relating to the year ahead together with an Annual Report on the performance of the treasury function in the year just ended.

Strategy Review to Strategy Performance and Resources Committee (annually)

- Review of the University's approved clauses, treasury management policy statement and practices and any proposed amendments for approval.
- Strategy report on proposed treasury management activities for the year ahead.
- In preparing the strategy the Finance Director and designated staff will have regard to:
 - (a) the maintenance of the stable financial position of the University.

(b) the current levels of interest rates and forecasts of future changes in interest rates.

(c) the policies contained in other planning documents within the University, e.g. the University plan and the revenue budget and capital programme

(d) the aggregate of all funds, loans and accounts operated by the University.

Approval of the strategy will be reported from Strategy Performance and Resources Committee to Council

Annual Performance Report to Strategy Performance and Resources Committee

- Commentary on treasury operations for the year and their revenue effect.
- An annual report on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the University's treasury management policy statement and practices.
- Annual analysis of loan balances and conditions (within financial accounts)
- Compliance report on agreed policies/practices, and on statutory/regulatory requirements and the CIPFA Code recommendations
- Updated counterparty list

Report to each Strategy Performance and Resources Committee

- Report on performance year to date
- Cash flow forecast for current and next financial year (as part of financial monitoring). Commentary on significant variances arising in previous periods and revisions to forecast (if any).
- Commentary on treasury operations and performance for the period.
- Proposed amendments to list of approved counterparties and to limits/other proposals for approval (if any).
- Incidents where the approved treasury management policy has been breached. These would also be reported immediately to the Director of Finance, Vice-Chancellor and Treasurer.

Cash and Cash Flow Management reports to Strategy Performance and Resources Committee

The University will prepare cash flow forecasts and actuals on a 12 month rolling basis so as to be able to determine:

- whether minimum acceptable levels of cash balances plus short-term investments might be (or have been) breached
- the adequacy (or otherwise) of standby/overdraft facilities or contingency arrangements
- the optimum arrangements to be made for investing and managing surplus cash.

Liquidity will be maintained to allow the University to meet its financial obligations, with only cash surplus to working capital requirements being invested. The investment portfolio will be balanced by spreading surplus cash across approved counterparties and over varying time scales.

Approved Financial Instruments

- Bank Deposits
- Money Market Cash and Cash Plus Funds
- Certificates of Deposit
- Treasury Bills
- Gilts
- Equities
- Interest rate swaps, options, contracts
- Currency swaps, options, contracts
- Unit Trusts
- Corporate Bonds
- Government Bonds

Approved Bank Accounts

- Barclays Current A/c
- Barclays Business Premium A/c
- Barclays EUR Current A/c
- Barclays EUR Deposit A/c
- Barclays US\$ Current A/c
- Barclays US\$ Deposit A/c
- Barclays CNH Current A/c
- Barclays German Jewish Current A/c
- HSBC Current A/cs HSBC Deposit A/cs
- Lloyds TSB Bank Instant Access Account
- Natwest Liquidity Select
- Natwest 60 Day Notice Account
- Santander Instant Access Account
- Santander Corporate Bonus Account
- Barclays 35 Day Notice Account
- Barclays 95 Day Notice Account
- Barclays Green 95 Day Notice Account
- Lloyds Bank 32 Day Notice Account
- Lloyds Bank 95 Day Notice Account
- Lloyds Bank 175 Day Notice Account

Endowment and Long Term Investment Funds	£
Liontrust	no limit
Barclays Bank PLC	no limit
Cash investment funds	
KW Institutional	no limit
Barclays Bank PLC	no limit

Maximum Cash Investments With Individual Counterparties

Period	Current Fitch Rating		Limit				
	Long Term	Short Term	Total cash balances <= £30m	Total cash balances > £30m & <= £60m	Total cash balances > £60m <=£100m	Total cash balances > £100m <=£150m	Total cash balances > £150m
Temporary cash (up to 12 months duration)	A	F1	£3m	£5m	£10m	£15m	£20m
Temporary cash (up to 12 months duration)	AAA	F1+	£3m	£5m	£10m	£20m	£25m
Core Cash (1) (1 to 8 years duration)	A	F1	£2m	£2m	£2m	£20m	£40m
Core Cash (1)(1 to 8 years duration)	AAA	F1+	£2m	£2m	£2m	£30m	£50m

(1) Core cash is invested for periods of 1 to 8 years and counterparties for core cash investment are restricted to those parties specifically approved for that purpose. Appendix 2 sets out counterparties and identifies those approved as core cash counterparties.

The exception to the limits in the table above is the University's main clearing bank where sums in excess of the maximum specified may be placed for convenience and to reduce transaction costs with the approval of the Director of Finance.

Approved Counterparty List

An Approved Counterparty List will be drawn up and maintained referring to up to date Fitch IBCA credit rating agency reports. Additions may be made to the list only with the approval of the Strategic Performance and Resources Committee. Counterparties may be removed from the list as soon as they are known to have fallen below the specified criteria. Any removals will be reported to the Finance Director.

The University, in selecting approved counterparties for cash deposits, sets as a standard minimum credit rating the following:

UK and non UK banks, financial institutions	Long Term	A
	Short Term	F1

In addition, the Strategy Performance and Resources Committee has the authority to specifically approve for inclusion on the list counterparties that are rated below the minimum or are non-rated, where they think it appropriate.

APPENDIX 2

RISK MANAGEMENT

Approved Counterparty List

Counterparty	Instrument	Current Fitch Rating		Duration
		Long Term	Short Term	
HSBC Bank	Deposit	AA-	F1+	Temp
National Australia Bank	Deposit	AA-	F1+	Temp
Santander	Deposit	A	F1	Temp
Nationwide	Deposit	A	F1	Temp
Barclays Bank	Deposit	A	F1	Temp
Close Bros	Deposit	A	F1	Temp
Lloyds Bank	Deposit	A+	F1	Temp/Core
RBS Group plc	<i>Deposit</i>	<i>A</i>	<i>F1</i>	<i>Temp</i>
BNP Paribas Jersey	Deposit	A+	F1	Temp
Coventry Building Society	Deposit	A	F1	Temp
Emirates Bank NBD	Deposit	A+	F1	Temp
DBS Bank Ltd	Deposit	AA-	F1+	Temp
First Abu Dhabi Bank PJSC	Deposit	AA-	F1+	Temp
Blackrock – ICS Sterling Liquidity Fund Heritage Distribution	Cash fund			Temp
HSBC Global Liquidity Funds plc – HSBC Sterling Liquidity Fund Class A	Cash fund			Temp
Northern Trust LGIM Liquidity Funds plc – LGIM Sterling Liquidity Fund Class 4	Cash fund			Temp
Federated Investors (U.K.) LLP – Federated Short-Term Sterling Prime Fund 3	Cash fund			Temp
Federated Sterling Cash Plus Fund	Cash plus fund			Temp/Core
Fidelity Institutional Liquidity Fund - Fidelity Liquidity Fund Share Class A	Cash fund			Temp
Aberdeen Liquidity Fund (LUX) – Short Duration Sterling Fund Class J	Cash fund			Temp
iShares USD Corporate Bond (Socially Responsible Investing) 0-3 year ETF	Bond fund			Core
Black Rock iShares EUR Corporate Bond (Socially Responsible Investing) All-Maturity ETF	Bond fund			Core
Threadneedle UK Social Bond Fund	Bond fund			Core
Royal London Cash Plus Fund	Bond fund			Core

Appendix 3

Investment Policy

Introduction

1. This policy complements the University's Treasury Management Policy in the main part of this document. Specifically this appendix sets policy for investment of cash which is deemed to be in excess of 'temporary cash' required for operating day to day business of the University (as defined in the Treasury Management Policy), and for managing funds held in trust or in quasi-trust by the University as endowments.
2. The main purposes of the policy are to act as a framework within which executive officers in the Finance division will manage day to day operations, providing a policy for expected returns and for managing risk. Investment managers will be authorised to take such day to day actions on behalf of the University in managing the funds within the overall policy.

Investment Objectives

3. Two main classes of funds fall to be operated within this policy
 - University core investment cash, which are sums in excess of 'temporary cash' (required for day to day operation of the University) determined to be such by the Director of Finance and presented for Strategy Performance and Resources Committee approval, based on regular medium and long term cash flow forecasts; and
 - Endowment asset investments, which are held by the University as a trustee for a virtual charity, and arise from a donor making arrangements for money to be given to the University with a requirement to manage the money with a view to providing long term benefits to the University, which may be specified in more or less detail at the time of the endowment being made.
4. These two classes of investment have differing major objectives and obligations on the University. The following shall apply in general to investments of the two classes:

University core investment cash: These funds are in effect cash which the University has in excess of expected medium term (one to eight years) requirements. While a small amount may be retained in highly liquid instruments to ensure that they act as a buffer to unexpected adverse changes in the University's annual cash flow, they exist mainly to provide higher returns than temporary cash balances by investing in longer maturity, higher yielding instruments. Thus the University will seek to generate the best overall investment returns in order to maximise the annual benefit to the University, whilst preserving capital values. Annually the Director of Finance will authorise an amount of money which will be considered to be core investment cash. The amount may rise or fall depending on the cash position of the University, competing uses for funds and institutional view guided by current strategic plans.

Endowments: Endowments are held on trust and are since the new Charities Act quasi-charities in themselves. The University is in effect trustee and will be expected in an even more formal way than in the past to be accountable for custodianship and protection of the funds on behalf of the ultimate donor. Individual endowments may have more or less strict requirements on the University as trustee (for example, the University may receive specific shares or assets which are intended to be held in perpetuity as the assets of the endowment). In such funds the specific requirements will be carried out under the management of the Director of Finance. In general the objectives will be to

manage investments of endowment funds such as to preserve the real terms capital value of the investment (taking one year with another) while continuing to maximise income to fund the purposes envisaged by the donor.

5. Estimates of income generated by each fund will be prepared by the Finance division before the start of the financial year and used to inform the budget process (for University core investment returns) and provide information to budget managers within the University for investment returns available for spend for the coming year; any shortfalls on expected income against intended commitments (eg funding a lectureship) will be met by the cost centre in question, not by general University funds. (In cases where chronic shortfalls are experienced, budget managers will be invited to discuss the matter with the Director of Finance to see whether any management action may be taken to improve the position.)
6. Returns on investment will be constrained by external market factors, by level of fees (which need to be kept under strict review/pressure) and by any constraints placed on investment managers by the University, especially to manage portfolio and risk issues. These issues are dealt with below.
7. In the case of endowments, liquidity requirements to fund expenditure are initially met from the receipt of fresh endowment sums in cash. Regular reporting of endowment receipts and expenditure during the financial year will identify any potential liquidity shortfall which would need to be met from externally managed investments.
8. The University retains a number of directly held non-cash investments, held for either endowment or general university purposes. The value of these investments is monitored and any recommendations on their continuing presence and investment levels in the investment portfolio are made to the Director of Finance when appropriate.

Investment Strategy

9. The University's constitutional documents give wide ranging powers of investment which are authorised by Strategy Performance and Resources Committee. (The University is not bound by the requirements of the Trustee Investment Act 1961 and amendments.)
10. Strategy Performance and Resources Committee authorises executive officers in the Finance division to manage investments within the objectives above by making prudent investments in a diverse underlying range of investment assets either directly or using Financial Conduct Authority authorised and regulated investment managers. The Director of Finance will be responsible for ensuring that investment managers are authorised under appropriate regulations. Annual statements and document review requiring confirmation if deemed necessary will be undertaken where reasonably practical to ensure compliance with these conditions and with the University's instructions where appropriate.
11. The University is responsible for performing the strategic management and monitoring of investments while day to day management of individual assets is delegated to professional investment and fund managers.
12. The University will establish a diversified portfolio of investments and appropriately diversified allocation of assets within any particular fund, in order to minimise investment risk. .

Socially responsible Investment Management Policy of the University

Socially Responsible Investing

The University believes that, in investing its funds, regard must be made to social, environmental and governance issues. In line with its general strategic direction, the University believes that its investments should mirror its own desire to be sustainable and promote sustainability and that a preference will be given to positive screening to proactively bring about sustainable positive change in the world.

In making investment decisions the University expects its appointed investment managers to consider the following areas (this list should not be considered as exhaustive);

- Promotion of human rights, including but not limited to the equality of gender, race and sexuality;
- Promotion of good business ethics and good employment practices;
- Protection of the global environment, its climate and its biodiversity including the reduction and future elimination of fossil fuel exploration and production;
- Promotion of community investment;
- Promotion of international co-operation and an end to international conflict;
- Sustainable provision and procurement of essential resources and services (such as utilities).

We would expect our power as a shareholder to be used to promote good Environmental Social and Governance ('ESG') standards by our appointed investment managers. They will be expected to encourage good behaviour or discourage poor behaviour through screening of investments, either positively or negatively or through direct engagement with firms. They must demonstrate rigorous implementation of the UN principles of responsible investment ('UNPRI') and preferably be signatories and must demonstrate their active commitment to the principles through their engagement with invested companies on ESG matters in accordance with the UNPRI and this policy.

In recognition of conflict with our medical research objectives, the University will not invest in tobacco. In common with many charities, the University also wishes to reject investment in gambling, pornography and arms

While operating within these criteria, appointed investment managers are left at their discretion to select individual stocks and to operate within their own published Socially Responsible Investment principles. The appointed investment manager will be accountable to the University in terms of financial performance and adherence to commitments made on issues of social responsibility and sustainability. A report will be required each year from the investment manager demonstrating performance against investment returns and SRI criteria.

The University will seek to be open and transparent about its policy and practice and will actively consider what information can usefully be made available publicly on a periodic basis.

Reporting from Fund Managers and Performance Measurement

13. Fund managers will report regularly to the University as follows:

14. Quarterly reports will be received including an economic and Stock Market review, asset allocation details, performance figures, and individual fund policies and outlooks for the period.

Performance measurement will be against benchmarks approved by the Director of Finance and which evaluate progress towards the achievement of the investment objectives and investment strategy principles set out in paragraphs 3-12 above.

15. Fees will be kept under review and services of fund managers tendered competitively periodically.

Risk

16. In determining the strategy required to fulfil their objectives, management have considered the risks associated with investment in the Stock Market – counterparty risk and investment risk.

17. Counterparty risk is the risk of failure on the part of the bank, stockbroker or investment manager who conducts transactions for the investor and may hold the investor's securities and cash balances.

18. Investment risk is the risk, which is inherent in the investments themselves. This can mean the danger of an investor's portfolio becoming worthless. It can also mean the volatility of return from an investment as measured by the standard deviation of its return over time.

Counterparty Risk

19. The choice of investment managers/funds has been made after considering their performance record, experience as charity managers, length of time in operation, experience and stability of staff and being satisfied as to the security of the University's funds.

Investment Risk

20. Concentration of investment in too narrow a range of securities and/or asset classes could expose the funds to the risk of enduring capital losses and increased volatility. The University invests in a balanced mix of funds and assets to balance risk with targeted returns. Specific asset allocations of funds are agreed under the advice of approved investment managers on a fund by fund basis to provide sufficient returns and adequate diversification to reduce investment risk.

Reporting

21. Each Strategy Performance and Resources Committee meeting will receive up to date reports of performance based on latest reports from investment managers, with a summary and brief commentary, together with Treasury management performance. (Full investment manager reports are held in the Finance division by the Treasury accountant and are available for inspection.)
22. Each year the Director of Finance will prepare for Strategy Performance and Resources Committee
- a. an update of the Investment policy for consideration/approval of Strategy Performance and Resources Committee
 - b. a statement of returns against benchmark with any appropriate commentary
 - c. recommendations on level of estimated core investments in excess of core cash for investment. Any increase in such core investments will be made on the basis that the University will not need the capital for some time, in order to allow investment in asset classes giving greater returns than (even long term) cash.