University of Reading Treasury Policy

October 2014

Finance and Corporate Services Directorate

Introduction

The University receives, and pays out, over £250m in cash every year. The seasonality of its business – fees received according to a termly timetable – and the size of some of its payables (up to £7m on a payroll run, and invoices on capital projects of up to £4m at a time) make treasury management an important part of the Finance function.

This policy sets out the key controls placed on the treasury management function within Finance at the University. It contains guidance on a number of key areas and focuses upon the risks that the University faces in its day-to-day activities. The Policy contains significant details about the delegations surrounding the investment of surplus cash funds, and sets firm limits in regard to the credit-worthiness of potential counterparties.

The CIPFA Code

The Chartered Institute of Public Finance and Accountancy (CIPFA) reissued a revised Treasury Management Code in October 2009. The University has adopted the format of this code.

The following four clauses are taken from the new code and are adopted by the University as the basis for its treasury management policy:

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

   - a treasury management policy statement, stating the policies and objectives of its treasury management activities (this policy)
   - 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 recommendations.

2. Strategy and Finance Committee 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. The annual strategy will be reported to Council.
3. The University delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Strategy and Finance Committee and for the execution and administration of treasury management decisions to the Director of Finance and Corporate 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 Strategy and Finance Committee to be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.

The University's Financial Regulations can be found at http://www.reading.ac.uk/finance/opentoall/policies/regs.htm. Should there arise any conflict between this Treasury Policy, and the Financial Regulations, the Financial Regulations should be taken as having precedence.

Treasury Management Policy Statement

The CIPFA Treasury Management Code recommends that the University adopt the following form 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 University.
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.

In addition, The University's other stated objectives are:

- To maintain financial stability;
- To minimise the costs of funds, in relation to the University's debt;
- To maximise returns on investments, within a conservative risk profile;
- To minimise fluctuations in accounting profit, resulting from interest rate and foreign currency exposure;
- To remain within the University's agreed levels of costs of funds and borrowing limits with HEFCE;
- To ensure compliance with any relevant banking or debt covenants

Treasury Management Practices

CIPFA recommends the following key areas should be covered within the Treasury Policy:

TMP1	**Risk management**
TMP2	**Performance measurement**
TMP3	**Decision-making and analysis**
TMP4	**Approved instruments, methods and techniques**
TMP5	**Organisation, clarity and segregation of responsibilities, and dealing arrangements**
TMP6	**Reporting requirements and management information arrangements**
TMP7	**Budgeting, accounting and audit arrangements**
TMP8	**Cash and cash flow management**
TMP9	**Money laundering**
TMP10	**Training and qualifications**
TMP11	**Use of external service providers**
TMP12	**Corporate governance**

TMP1 Risk management

General statement

The Director of Finance and Corporate Services 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 University's objectives in this respect, all in accordance with the procedures set out in TMP6 *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 throughout this document.

[1] Credit risk management

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 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 referred to in TMP4 *Approved instruments, methods and techniques*. 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 arrangements.

[2] 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 long-term in advance of need where there is a clear business case for doing so and will only do so for approved capital commitments.

[3] 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 TMP6 *Reporting requirements and management information arrangements*.

It will achieve this 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. This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

[4] Exchange rate risk management

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

The University transacts in a wide variety of foreign currencies, with only EUROs being received and expended in any significant amounts.

The University's standard policy is not to speculate in currencies and to minimise accounting losses by paying foreign currency creditors promptly, and by translating foreign currency receipts promptly and by banking them in the sterling account (with the exception of EUROs). An exception to this is prefinancing for EU funded contracts (see below).

Any requests for funds to be made available in non-cash form (e.g., travellers' cheques) must be approved by the Head of Technical and Financial Services on a case-by-case basis. However, such requests are expected to be infrequent and must be accompanied with a justification in writing. The presumption will be against approval other than in exceptional circumstances.

With increasing internationalisation, the University recognises the need to maintain a small float of key currencies, in order that senior members of the University can use these funds for University-approved expenses in countries where cash is used more widely than in the UK; these include but are not limited to a number of Asian countries. The float of all such currencies should not exceed £5,000 at any one time. All funds will be accounted for in accordance with the University's existing 'Travel and Other Expenses, Benefits, Hospitality and Gifts' policy.

EUROs are frequently received on behalf of sub-contractors and partners on European projects, and then distributed to those third parties. Since 1 January 2002 there has also been a requirement to pay some European suppliers in EUROs. EUROs will not normally be held by the University, except where

- there is an identifiable short term (normally less than one month) liability to pay third parties in EUROs, and then only to the extent of that liability.
- EU pre-financing funds are being held pending release by an audit approved certification.
- a float of EUROs will be maintained to pay suppliers. This float should not normally exceed EUR 250,000.

To this end, Research Accounts and the Treasury Assistant must be informed of any EURO receipts immediately, whereupon Research Accounts will provide the Treasury Assistant with a EURO cash flow forecast relating to the receipt, showing how much of the receipt is due to the University and how much is due to partners, giving a due date. The amount due to the University will be translated immediately.

For any EUROs that are not translated immediately, the Treasury Assistant will seek to maximise interest earnings by placing EURO funds on deposit for appropriate periods with the University's bankers, with whom the University has agreed arrangements. Funds kept on the Euro current account should be kept as low as practicable.

The introduction of electronic procurement means that for most cases payments made in a currency other than sterling will be recorded as a creditor on the University's ledger system before they are paid. Orders can be raised in most currencies; the sterling value of the commitment, and of the subsequent creditor after receipt of the goods/services, will be based upon a monthly exchange rate held in the University's ledger system. The payment of an invoice, at a spot rate, will give rise to either an exchange gain or loss. This gain or loss, unless there is a contracted exchange rate in force (e.g., for an EU contract), will be taken to the account code and project on which the order was originally raised.

The University also issues invoices in foreign currency. Again, any foreign exchange rate gain or loss arising when such an invoice is settled will be taken to the account code and project where the invoice was originally raised (unless other agreements are in place, for example in the case of research contracts with a fixed rate).

Under EU Framework regulations, any interest generated on undistributed pre-financing will be taken into account when calculating the final amount due to the University as part of the research contract, and therefore the University must be able to identify how much interest has been generated by these amounts.

The interest relating to pre-financing still held by the University will be calculated by the Treasury Assistant to be accrued on a monthly basis as deferred income against the EU project, which will be realised on receipt of a satisfactory audit certificate. On request from Research Accounts, any supporting documentation for these calculations will be passed to be audited along with other project information.

[5] Refinancing risk management

The University will ensure that its borrowings, 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 the light of market conditions prevailing at the time.

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.

Loan Arrangements

The University, in 2007, issued £70m of loan notes, to be repaid by a single payment in 2047. The loan carries a coupon of 5.42%, and interest is payable in two yearly payments, in May and November.

In June 2009 the University entered into a £60m sterling loan facility with Barclays Bank PLC. This loan consisted of an initial three year revolving facility, with a choice of a fixed rate, or a set margin above LIBOR for the term of each tranche drawn down. At the end of three years the University converted this to a term loan of 37 years with a seven year payment holiday, currently floating at a set margin above LIBOR.

The University, in December 2013, signed an agreement with the Homes and Communities Agency to borrow £24.7m, at a floating rate based on the EC reference rate (currently c 2.3% in total).

[6] Legal and regulatory risk management

The University will ensure that all of its treasury management activities comply with its Financial Regulations and other regulatory requirements. In framing its credit and counterparty policy under TMP1[5] *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 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 University.

[7] 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.

[8] Market 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.

TMP2 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 business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements.

The University's core endowment funds (managed by Sarasin Investment Management) are subject to regular scrutiny by the Investments Committee.

For non-core daily surpluses, the following performance measure is to be adopted:

- On a three-monthly basis LIBOR is to be averaged for each month in the preceding three month period, and compared to the actual rates obtained for each month by the treasury team. The base rate is to be included for comparison purposes.
- On a monthly basis this information will be distributed to the Director of Finance and Corporate Services, and included on a quarterly basis in the University's Management Information Pack (MIP). On a yearly basis, this comparison will be presented to Strategy and Finance Committee for information.

It is recognised that actual rates achieved may not consistently attain LIBOR, due to four reasons: firstly, the margins charged by counterparties; secondly, because LIBOR itself is calculated using a notional principal, and the University may be investing funds lower than this amount; thirdly, because of the minimum counterparty credit rating restricting us to certain borrowers; fourthly, because the University restricts the amount that may be placed with any one counterparty.

The adoption of a performance measure should not be interpreted as undue pressure on the University to attain certain rates; the aim remains to balance the pursuit of optimum attainment with the need for both flexibility and risk management. Should funds available for investment be immaterial, or the returns generated also immaterial, the reporting restrictions above may be suspended until such time as sufficient funds can be invested that provide meaningful management information.

TMP3 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. These will be filed and retained for seven years, according to the University's statutory requirements for keeping records.

TMP4 Approved instruments, methods and techniques

The University will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk management*.

The University does not in its normal course of events engage in the use of derivatives (potentially volatile tradable financial instruments whose values may be determined by the movement of an underlying asset or exchange rate). Examples of these may be forward contracts, options, swap agreements or any other arrangement structured to hedge against FOREX or interest rate movement. Historically, the University's future cash flows denominated in foreign currency have not proven predictable enough to make the use of such instruments either cost-effective or efficient. Moreover, the use of hedging arrangements may expose the University to unwanted FOREX risk if wrongly or inappropriately used.

Any requests to fix exchange rates through any mode of hedging must be addressed to the Director of Finance and Corporate Services in the first instance. The Chief Operating Officer shall approve all other forms of derivative transaction, such as interest rate swaps or fixes.

TMP5 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 Director of Finance and Corporate Services will ensure that the reasons are properly reported in accordance with TMP6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The Director of Finance and Corporate Services 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 Director of Finance and Corporate Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures agreed by the University.

The Director of Finance and Corporate Services 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 Director of Finance and Corporate Services in respect of treasury management are set out in the University's Financial Regulations, and amplified below. The Director of Finance and Corporate Services will fulfill 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*.

Transfer of Funds to Subsidiary Companies

The University has declared its support of the activities undertaken by its wholly owned subsidiaries. This support periodically requires The University to transfer funds to these subsidiary accounts.

The Treasury Assistant is authorised to make these transfers, except where the balances owed to The University of Reading exceed:

£500k University of Reading Science & Technology Centre Ltd

In the event that the current balance owed to the University exceeds these amounts the Treasury Assistant will seek authorisation from the Director of Finance and Corporate Services or Chief Operating Officer for any further transfers. Levels of intercompany indebtedness are monitored on a monthly basis, as is the recoverability of these balances.

No transfers can be made to dormant subsidiaries without the approval of the Director of Finance and Corporate Services or the Chief Operating Officer.

No transfers can be made to or from RREF Ltd without the approval of the Director of Finance and Corporate Services or the Chief Operating Officer.

Transfers to Henley Business School (New Zealand) Limited can only be made at the request of the Director of Finance and Corporate Services. To other overseas branches or subsidiaries (in Hong Kong, Malaysia, Germany, Finland, South Africa or elsewhere), funds equivalent to £200k can be transferred at the request of the Director of Finance and Corporate Services; over this, the Chief Operating Officer must authorise payment.

Based on the above and using information regarding market conditions, the Treasury Assistant will recommend the amount and period for lending. The Call Account is used only as a contingency arrangement, usually for funds that have arrived too late in the day to be placed on the money market, or if the interest receivable on deposit exceeds the call amount interest by less than the transfer cost.

The Treasury Assistant is authorised to make transfers of amounts between University accounts (Call Account, Petty Cash accounts, etc) without need for a counter- signatory.

For deposit periods of up to one week, the Capital Accountant, Head of Technical Accounts and Financial Services, Director of Finance and Corporate Services or Chief Operating Officer will authorise action, by signing the documented recommendation.

For deposit periods of up to two weeks, the Head of Technical Accounts and Financial Services, Director of Finance and Corporate Services or Chief Operating Officer will authorise action, by signing the documented recommendation.

For deposit periods of up to one month, the Director of Finance and Corporate Services or Chief Operating Officer will authorise action.

For deposit periods of over one month, the Director of Finance and Corporate Services, Chief Operating Officer or Vice Chancellor will authorise action.

(For the avoidance of doubt, a week = 7 consecutive calendar days).

Once the amount and period are authorised, the Treasury Assistant will seek to maximise earnings by depositing funds within the minimum counterparty credit rating in the table below, using, where appropriate, advice obtained from brokers approved from time to time by the Director of Finance and Corporate Services.

Minimum Counterparty Credit Ratings

An acceptable instrument will, for each relevant period, meet at least two of the ratings.

Period	S&P rating	Moody's rating	Fitch rating
Up to one week	A rated	P-2	F-1
Between one week and one month	A-1	P-2	F-1
One to three months	A-1	P-1	F-1
Three months to one year	A-1	P-1	F-1+
Over one year*	AAA	AAA	AAA

Acceptable counterparties are normally limited to UK Clearing Banks and Building Societies with the exception of over one year counterparties where the credit rating will take precedence. To avoid doubt, a UK Clearing Bank or Building Society is defined as having an established place of business in the UK and be regulated by the Financial Services Authority (FSA). This does not preclude, therefore, use of counterparties where the ownership is wholly or partly outside the UK, which is increasingly common in modern capital markets. Also, for European investments, decisions are outsourced to Royal London Cash Management. Their choice of European AA investments is regularly monitored by the Capital Accountant to ensure the University is not exposed to reputational risk through the inadvertent use of unsuitable counterparties. The University receives daily credit rating updates from Sector, to ensure individual ratings are monitored. Each month a summary of institutional ratings is obtained and saved on a shared Finance drive.

In addition, the Director of Finance and Corporate Services can allow the use of non-UK banks for the placing of direct deposits, but only where such banks fulfil the required counterparty ratings with all 3 credit rating agencies, and only for such a period as deemed necessary to avoid risk.

At the discretion of the Director of Finance and Corporate Services, arrangements for longer terms than one year can be made with University's current bankers where there is a compelling financial reason to do so and, in particular, where investment returns are greater than would be available from funds invested for less than one year, but only if the bank's rating is AA or above or equivalent with two of the recognised credit ratings agencies noted in the table above.

Even if lending criteria are met, the *reputational risk* of using certain counterparties should be considered. Recent credit downgrades and market sentiment, as far as possible, should be taken into account, and communicated where appropriate to the Director of Finance and Corporate Services or Chief Operating Officer. The University may choose to suspend its benchmarking targets (see below) where chasing these targets may result in undue risk. At any point, the Director of Finance and Corporate Services can lower either the financial limits for lending (see below), or stipulate more stringent creditworthiness.

For the avoidance of doubt, 'money market funds' will not be considered suitable instruments for short-term investing.

Financial Limits

No more then 5% of balance sheet value, or £10m, whichever is lower, may be deposited with any single counterparty. This excludes any interest which may temporarily have accrued (interest being swept back on a monthly basis).

Should levels of surplus cash reach such a level that the number of available counterparties is constrained, the Director of Finance and Corporate Services can suspend the £10m counterparty limit temporarily and raise this to £20m. This decision should be recorded for audit purposes. Should the situation ease, then the £10m limit should be reinstated. In the first instance, the £20m limit should be applied firstly to the University's contracted bankers (Barclays) should they have a suitable credit rating.

TMP6 Reporting requirements and management information arrangements

The University will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; 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.

As a minimum;

Strategy and Finance Committee will receive:

- an annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- an annual report on the performance of the treasury management function, on the effects of the 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 TMPs.

Audit Committee will have responsibility for the scrutiny of treasury management policies and practices.

Review Period

This policy will be reviewed annually in October.

TMP7 Budgeting, accounting and audit 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 any regulatory requirements in force for the time being.

TMP8 Cash and cash flow management

The University will manage liquidity through management of debtors and creditors balances, and through cash flow forecasting.

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the University will be under the control of the Director of Finance and Corporate Services 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 Director of Finance and Corporate Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out below:

Forecasts will be prepared on a daily basis.

For University cash balances, the cash flow forecasts will be used to establish the level of surplus cash available for lending, and the period for which it is available.

On a monthly basis the Capital Accountant will produce a 12 month cash flow forecast, and a statement of actual year to date and forecast to year end, for circulation with the management accounts.

On a weekly basis the Treasury Assistant will produce:

- 8 week rolling cash flow forecast, circulation to the Head of Technical Accounts and Financial Services, the Director of Finance and Corporate Services, and the Chief Operating Officer.
- Funds position statement for the previous week

On a daily basis, the full extent of available cash funds will be established. A weekly bank reconciliation will be performed for review by the Head and Technical Accounts and Financial Services. In the event of a fraudulent transaction being identified, the procedures laid out in the fraud policy will be put into effect.

The Director of Finance and Corporate Services should be specifically alerted to all forecast negative cash balances. Short-term shortfalls will normally be met from overdraft facilities. The University has obtained a rate for approved overdrafts of 2% above base rate. Longer term borrowing requirements will be addressed on a case by case basis. These will normally be linked to specific known cases such as capital projects.

The University will inform HEFCE of all negative net cash book balances that meet the Financial Memorandum's criteria for notification. The specific requirement for short-term borrowing not to exceed 5% of consolidated turnover (as defined by the last audited accounts) for 35 consecutive days will be monitored by the Capital Accountant.

TMP9 Money laundering

Money laundering is the act of concealing or disguising the nature, location, source, ownership or control of money in order to avoid a transaction reporting requirement and/or to disguise the fact that the money was acquired by illegal means.

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.

For the avoidance of doubt, the University will not normally refund amounts paid to it to a third part account, but will return funds to the originating account.

Always know customer details, as set out in the existing customer set-up procedure, before setting up a customer account.

Always identify the source of funds being received into the University. If funds are received anonymously, report the transaction. Such transactions may be legitimate in the form of donations, but must be recorded and reviewed.

Cash payments are accepted only up to a maximum level of £10,000 for any one transaction.

Receipts must always be banked on a regular basis, in line with the existing banking procedures.

Exception reporting must be performed on high value receipts. The transactions must be recorded and reviewed

Policy restrictions must be operated on refund payments in line with existing refund policy. This includes

- Credit card receipts may only being refunded to the original cardholder.
- Bank transfer receipts may only be refunded to the originating account.

Any suspicions of money-laundering should be communicated to the Head of Technical Accounts and Financial Services. Should any other fraudulent activity be suspected, reference should be made to the University's Fraud Policy and Fraud Response Plan, which can be found at www.info.reading.ac.uk/guide/docs/fraud-policy.pdf .

TMP10 Training and qualifications

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 Director of Finance and Corporate Services and will recommend and implement the necessary arrangements.

The job description of the Capital Accountant specifies a CCAB qualified accountant. On a yearly basis the Capital Accountant will, as part of the Staff Development Review process, identify areas where potential training needs arise and organise suitable materials for this.

The Treasury Policy will be made available to all University members via the Finance Website. All staff with Treasury responsibilities will be supplied with a copy.

TMP11 Use of external service providers

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. And 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 Director of Finance and Corporate Services, and details of the current arrangements are set out below

Investment decisions are outsourced to:

- Sarasin Investment Management (Endowment funds)

Performance is subject to periodic monitoring by the Investments Committee.

The management of short-term cash surpluses is outsourced to Royal London Cash Management, whose choice of investments must conform to the minimum counterparty credit ratings outlined above. Should these ratings change within a month, then the funds should be returned to the University or invested elsewhere as soon as is practicable.

The appointment of the above and other outsourced service providers is subject to strict University procurement policies.

The University's banking arrangements are set out in the Financial Regulations and the Financial Manual.

TMP12 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 activities will be undertaken with openness and transparency, honesty, integrity and accountability.

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

Conclusion

This Treasury Policy will be revised annually, as noted above, and presented to Strategy and Finance Committee. Should, however, any urgent issue arise, the Director of Finance and Corporate Services can request that the Capital Accountant revise the Policy, and present it to the next meeting of the Committee for approval. The Capital Accountant shall be responsible for alerting the Director of Finance and Corporate Services any issues that s/he believes may require any such amendment.

A full list of all Finance policies and procedures, many of which clarify points within this Treasury Policy, can be found at
www.reading.ac.uk/finance/opentoall/policies/index.htm

Version 5

S E Mealor
Capital Accountant
October 2013