



**ROBERT GORDON  
UNIVERSITY ABERDEEN**

# **Treasury Management Policy**



Approved by	Finance and General Purposes Committee		
Date Approved	June 2021	Status	Approved
Policy Owner	Director of Finance	Impact assessed	Yes
Version	2	Date of next review	June 2024

Version Number	Purpose/Change	Date
1	Creation of policy	February 2010
2	Update responsibilities following abolishment of Investment Panel. Inclusion of references to Investment policy and ethical investment approach. Addition of money-laundering section.	June 2021

# TREASURY MANAGEMENT

## 1. Policy Statement

- 1.1 The Robert Gordon University in compliance with the CIPFA Code of Practice defines its treasury management activities as “The management of the University’s cash flows, it’s 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.”
- 1.2 Treasury management activities will abide by the legal framework provided by the Robert Gordon University (Scotland) Order of Council 2006 and the CIPFA Code of Practice, Treasury Management in the Public Services.
- 1.3 In accordance with the principles of good corporate governance, University treasury management activities will be undertaken with openness, transparency, honesty, integrity and accountability.

## 2. Treasury Management Practices

- 2.1 There are several elements to the implementation and operation of good treasury management practice. The following sections will provide detail on the key areas with the appendices providing some additional procedural detail where required.
- 2.2 The purpose of this document and these practices are to:
  - 2.2.1 Develop and maintain firm foundations and clear objectives for the University’s treasury management activities.
  - 2.2.2 Emphasise the overriding importance of effective risk management as the foundation for all treasury management.
  - 2.2.3 Encourage the pursuit of value for money in treasury management and to promote reasoned use, development and appreciation of appropriate and practical measures of performance.

2.2.4 Assist those involved in the review and regulation of treasury management in the University, particularly those involved in audit or governance.

### **3. Risk Management**

**3.1** The successful identification, monitoring and control of risk will be the prime criteria by which the effectiveness of the University's treasury management activities will be measured. Activities will be undertaken using only those instruments, methods and techniques that have been duly approved by the University.

**3.2** Procedures will be maintained for verifying and recording the identity of counterparties so that the University is in a position to report suspicions relating to money laundering, fraud and other crimes.

**3.3** Summarised below are the nine key treasury risks managed by the University at both operational and strategic levels:

3.3.1 Liquidity Risk Management - The risk that cash will not be available when needed creating unbudgeted costs compromising business/ service objectives.

3.3.2 Interest Risk Management - The risk that fluctuations in the level of interest rates create an unexpected or unbudgeted burden on finances.

3.3.3 Exchange Rate Risk Management - The risk that fluctuations in foreign exchange rates create an unexpected burden on finances.

3.3.4 Inflation Risk Management - The risk that prevailing rates of inflation cause an unexpected or unbudgeted burden on finances.

3.3.5 Credit and Counterparty Risk Management - The risk of failure by a third party to meet its contractual obligations to the University under an investment, borrowing, capital, project or partnership financing.

- 3.3.6 Refinancing Risk Management - The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on acceptable terms and/or that the terms are inconsistent with prevailing market conditions at the time.
- 3.3.7 Legal and Regulatory Risk Management - The risk that the University itself, or a third party with which it is dealing fails to act in accordance with its legal powers or regulatory requirements, leading to loss.
- 3.3.8 Fraud, Error and Corruption and Contingency Management - The risk that the University fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, or corruption.
- 3.3.9 Market Risk Management - The risk that through adverse fluctuations in the principal sums the University invests, its stated treasury management policy and procedures are compromised.

**3.4** Further details of these risks and the arrangements through which the University seeks to ensure compliance with the risk management objectives are set out in appendix 1 of this policy.

#### **4. Cash and Cash Flow Management**

- 4.1** 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 will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular basis.
- 4.2** The University recognises that the regular and timely preparation of cash flow projections provides a sound framework for effective cash management and that effective management of working capital contributes positively to cash flow.
- 4.3** The University will prepare cash flow forecasts on a regular and timely basis to determine:



- 4.3.1 Whether the minimum acceptable levels of cash balances plus short-term investments may be breached and the extent and duration of any such breach.
  - 4.3.2 The adequacy of standby/ overdraft facilities or contingency arrangements.
  - 4.3.3 The optimum arrangements to be made for investing and managing surplus cash.
- 4.4** The cash flow forecasts will take the form of annual forecasts for the University's current planning period, generally 5-8 years; monthly forecasts for a 3-year rolling period; and daily forecasts prepared each Thursday for the week ahead.
- 4.5** Liquidity will be maintained to allow the University to meet its financial obligations as they fall due and only cash which is surplus to working capital requirements will be invested. As a safety measure the University will retain a minimum level of £5m of liquid funds at all times.
- 4.6** The portfolio of invested cash will be balanced across a range of maturity timescales and counterparties, either directly or via collective investment funds.
- 4.7** Working capital is managed by the University to benefit its cash flow, key actions include:
  - 4.7.1 Management of debt so that income is collected within agreed credit periods.
  - 4.7.2 Income is banked promptly.
  - 4.7.3 Creditors' payments are monitored and managed.
  - 4.7.4 Regular reconciliation of the University's bank accounts and invested funds are prepared and reviewed by senior staff.
- 4.8** The overriding principle guiding all treasury management activities is to control risk, consequently the University will only employ those instruments, methods and techniques detailed and only within the limits and parameters set out in appendices 2 and 4.

## **4.9** Investment of Cash Balances

4.9.1 The investment instruments that may be used are the securities and money market instruments listed in appendix 2.

4.9.2 Managers, in-house or external, have no power to

4.9.2.1 Enter into/acquire options or futures contracts.

4.9.2.2 Commit the University to supplement the funds in the portfolio without prior consent either by borrowing or by committing to a contract which may require the supplement of such funds.

4.9.2.3 Commit the University to underwrite securities.

4.9.2.4 Invest directly in excess of the nominal limit with counterparties included in the University's current credit list.

4.9.3 External Fund Managers have the power to:

4.9.3.1 Invest on the University's behalf into their own in-house collective investment funds but only with explicit permission from the University.

4.9.3.2 Invest with counterparties not on the current University credit list provided they constitute a minor holding (<10%) within a collective investment fund.

4.9.4 The terms and conditions under which the external cash fund manager manages surplus cash on behalf of the University will be reviewed and agreed by the Director of Finance with annual review by the Finance and General Purposes Committee.

## **4.10** Investment of Long-Term Funds

4.10.1 The University's practice is to appoint professional Investment Managers to manage funds available for long-term investment.

- 4.10.2 The investment instruments, methods and techniques which the managers may use in managing the investment portfolio will be approved by the Finance and General Purposes Committee, either directly or by an appointed short-term working group. This includes review of the terms and conditions of any established fund or where discretion to select investment funds is given to the fund manager, the creation of a Discretionary Management Agreement (DMA) between the University and the appointed manager. Approved instruments normally include worldwide equities, worldwide bonds, and UK property, and may be in individual companies or collective investment vehicles, e.g. unit and investment trusts or common investment funds for charities.
- 4.10.3 The University's policy is that our long-term investments will exclude holdings in equity stocks that generate more than 10% of revenues from the following categories: alcohol, gambling, tobacco, armaments, adult entertainment, thermal coal and tar/oil sands.
- 4.10.4 Any DMAs will assist to manage risk by giving control ranges for the minimum and maximum percentage of the portfolio the manager may invest in particular classes. Current control ranges and benchmark funds are provided in appendix 4.
- 4.10.5 An Investment Policy Statement is maintained by the University detailing long-term investment objectives, allocations, benchmarks and guidance on responsible investing.

#### **4.11 Debt and Debt Management**

- 4.11.1 The University will borrow, utilise overdraft facilities or purchase via leasing arrangements only in accordance with the approved structures detailed in appendix 3 section B5 of this policy. When formulating proposals on debt or other forms of financing or refinancing the Director of Finance will have regard to:



- 4.11.1.1 The rationale for and essential details regarding the proposal, including the amount to be borrowed, purpose of funds, loan period suggested, other sources of finance available, and prevailing market conditions.
- 4.11.1.2 Restrictions of the Funding Council set out in the Financial Memorandum or elsewhere.
- 4.11.1.3 All costs, interests and fees, and capital repayment commitments and their impact on University budgets and plans.
- 4.11.1.4 Terms and covenants, including any restrictions placed on the use of University assets.
- 4.11.1.5 Security required, if any, over University assets.
- 4.11.1.6 The financial standing of the lender.
- 4.11.1.7 The terms, interest rates, expenses and structure are competitive and appropriate in the current market.
- 4.11.1.8 Comparison with alternative forms of funding and structures.

#### **4.12 Procedures for Collection of Income**

- 4.12.1 Responsibility for the methods of income collection permitted and operated by the University lies with the Director of Finance. This includes the payment options available for students and other debtors, secure storage and processing of cash, and maintenance of banking and other cash collection relationships.
- 4.12.2 Acceptable payment methods include:
  - 4.12.2.1 Bank transfer direct to the University or via approved portal.
  - 4.12.2.2 Debit/ credit card payment directly through online portal.
  - 4.12.2.3 Recurring debit/ credit card payment initially set up through University portal.
  - 4.12.2.4 Cheques (payable to Robert Gordon University or RGU)

- 4.12.2.5 Cash – Only at Student Help Desk for students or Finance office for other debtors.
- 4.12.2.6 Direct Debits for sports centre memberships.
- 4.12.2.7 Coin kiosks for contributions to student print accounts.
- 4.12.3 Where possible payers should be discouraged from using cash due to the associated risk and handling costs.
- 4.12.4 For all payments by debit or credit card the University must abide by its own card processing guidelines. These set out the information required from payers, what information can subsequently be stored and other compliance and monitoring requirements for processing card transactions.

## **5. Segregation and Approvals**

- 5.1** The University considers it essential for the purposes of effective control and monitoring of its treasury activities that they be structured and managed in a fully integrated way with clarity of responsibilities. Adherence to this approach helps the pursuit of optimum performance and reduces the risk of fraud or error.
- 5.2** The principle on which this is based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling those policies. The segregation of creation and approval is particularly relevant with regards to the transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 5.3** If the University intends as a result of lack of resources or other circumstances to depart from these principles, the Director of Finance will ensure that the reasons are properly reported and the implications properly considered and evaluated.

- 5.4** The University delegates responsibility for the establishment and annual monitoring of its treasury management policies and practices to the Finance and General Purposes Committee. Responsibility for the execution, administration and quarterly monitoring of Treasury management decisions are delegated to the Director of Finance, who will act in accordance with the University's policy and procedures. Short working groups will be established as required to deal with any significant changes to strategy or portfolio. A summary of delegated responsibility is provided in appendix 3.
- 5.5** The Director of Finance will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

## **6. Performance Measurement and Reporting**

### **6.1 Performance Measurement**

- 6.1.1 A key element of the University's reporting requirements is performance measurement to calculate the effectiveness of portfolio investment returns or the costs of borrowing and compare these with the performance of other portfolios, managers, recognised industry standards, or indices.
- 6.1.2 The University's core operational banking services will be re-negotiated or re-tendered every 5-8 years to ensure they continue to meet the University's business needs and that the level of charges and interest payable and receivable remain competitive.
- 6.1.3 The need for specialised banking services, eg. foreign currency payments, card payments, etc. will be assessed on a case-by-case basis and procurement will be undertaken in accordance with University policy. Specialised services required on an ongoing basis will be renegotiated or re-tendered at least every five years.

- 6.1.4 The University's cash and investment management services will be regularly reviewed by the Director of Finance and Finance and General Purposes Committee. The services will be re-negotiated or re-tendered if performance is identified as below expectation or if a significant change of investment strategy is being undertaken.

## **6.2** Reporting

- 6.2.1 The University is committed to the pursuit of value for money in its treasury management activities, and to the use of performance measurement methodologies in support of that aim. Accordingly, treasury management will be the subject of ongoing analysis of the value it adds in support of the University's stated business and service objectives. It will be the subject of regular examination of alternative methods of service delivery. The performance of the treasury management function will be measured using criteria set out in appendix 4.
- 6.2.2 The Director of Finance will present periodic reports and financial forecasts at least annually to the Finance and General Purposes Committee. Amongst other details these reports will include an annual forecast of surplus funds and loan repayment requirements for the coming year and a strategy for funding the University's capital expenditure proposals.
- 6.2.3 In preparing these reports the Director of Finance will have regard to:
- 6.2.3.1 Maintenance of a stable financial position ensuring availability of resources to meet commitments and uncertainties inherent in the planning process.
  - 6.2.3.2 The current level and future forecasts of interest rates.
  - 6.2.3.3 The proportion of borrowing which is subject to variable interest rates.
  - 6.2.3.4 Policies contained in other documents including strategic plan, revenue budget and capital programme, estates strategy and risk management strategy.

6.2.3.5 Working capital management.

6.2.3.6 The aggregate of all funds, loans and accounts operated by the University.

6.2.4 Reports on the performance of treasury operations will be provided annually, this will include a commentary of treasury operations, risk implications of decisions taken, performance comparison with KPIs and benchmarks, and updated counterparty list and credit limits for approval.

6.2.5 In considering the provision of security for capital raised for new projects the Director of Finance will have regards to the level of security required for the project, the value of assets already held as security for borrowing, and the maximum level of assets that should be held as security without risking the overall stability of the University.

6.2.6 A report will be prepared by the Director of Finance for the Finance and General Purposes Committee for each proposed capital borrowing, this will include:

6.2.6.1 Purpose of and justification for borrowing.

6.2.6.2 Borrowing requirement supported by cash flow forecasts.

6.2.6.3 Proposed Lender.

6.2.6.4 Interest rate structure and margin.

6.2.6.5 Main terms and covenants.

6.2.6.6 Arrangement fees.

6.2.6.7 Security arrangements.

6.2.6.8 Comparison with alternatives.

6.2.6.9 Compliance with approved borrowing strategy.

6.2.6.10 Legality.

6.2.6.11 Arrangements for compliance with the SFC Financial Memorandum.

6.2.6.12 Any other relevant matters.



6.2.7 Potential sources of finance for recommendation to the Board of Governors will be considered on each occasion by the Finance and General Purposes Committee. These may include banks, building societies, bond issues, financial intermediaries or leases. The Director of Finance will also report to the committee if significant departures from agreed policies and procedures or budget overspends occur. Also, if there is an urgent need to seek approval or amend current treasury management policies and procedures or the list of counterparty limits.

#### 6.2.8 Investment Managers

6.2.8.1 The University will receive quarterly reports from each appointed investment manager for review by the Director of Finance, the information provided will include:

- Identifying the investments held in the portfolio and showing their cost and current market value.
- Detailing and justifying transactions occurring in the period showing acquisition cost, disposal proceeds and the profit or loss on the transaction.
- Showing the investment performance and asset allocation of the fund compared with the benchmark fund and the agreed investment objectives.
- Commenting on the investment outlook and on how this will influence their management decisions.
- Suggesting any appropriate changes to investment strategy which in their opinion would benefit the fund.

6.2.8.2 Annual reports will be provided to the Finance and General Purposes Committee on the composition and performance of the University's investment portfolio. Short-term working groups will be established as required to provide additional knowledge and scrutiny of any proposed significant changes to the University's investment holdings.

## **7. Money Laundering**

**7.1** 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. To assist in managing this risk an updated version of the Anti-Money Laundering Policy was approved in February 2021. All staff involved in transactions are expected to adhere to the principles and methodologies outlined in the policy at all times.

## **8. Staff Training and Qualifications**

**8.1** 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 Director of Finance will recommend and implement the necessary arrangements including the delegation of responsibilities as appropriate.

## **9. Use of External Service Providers**

**9.1** The University recognises 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 costs and benefits, which is fully documented and subject to regular review.

- 9.2** Where possible it will ensure a spread of service providers to avoid reliance on a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed and responsibility for the monitoring of such arrangements rests with the Director of Finance.
- 9.3** Where external service providers are appointed with responsibility for day-to-day matters the University will retain full responsibility for the safeguarding of its funds and setting treasury strategy.

## **10. Corporate Governance**

- 10.1** The University is committed to the pursuit of good corporate governance in relation to all of its business and services and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function will be undertaken with openness, transparency, honesty, integrity and accountability.
- 10.2** The University has adopted and implemented the key recommendations of the CIPFA Best Practice Code. The code together with the other arrangements detailed in the appendices to this document is considered vital to the achievement of proper corporate governance in treasury management, and the Director of Finance will monitor and if necessary report to enable an assessment of the effectiveness of these arrangements.

## **11. Accounting and Audit Arrangements**

- 11.1** The University will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards along with the statutory and regulatory requirements in force for the time being.

- 11.2** The University will ensure that its auditors and those charged with statutory review have access to all necessary information and papers supporting the activities of the treasury management function. Checks of information and papers will be undertaken seeking to demonstrate compliance with external and internal policies and approved practices.

## **12. Review**

- 12.1** This policy will be reviewed every three years or as required.



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## APPENDIX 1 – RISK MANAGEMENT AND CONTROLS

Risk	Management and Control
<p>(i) Liquidity Risk</p> <p>The risk that cash will not be available when it is needed, that ineffective management of liquidity creates unbudgeted costs, and the University's business/service objectives will be thereby compromised.</p>	<ul style="list-style-type: none"> <li>- Effective cash and cash flow forecasting and monitoring system which identified the extent to which the University is exposed to the effect of potential cash flow variations and shortfalls.</li> <li>- 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 which are necessary for the achievement of its business/ service objectives.</li> <li>- The University's policy is to retain cash balances, on current account and short-term investment, of up to £5m at any one time to meet any cash need arising from the day to day operations of the University.</li> <li>- The Director of Finance has authority to arrange short-term overdraft facilities with the University's bankers.</li> </ul>
<p>(ii) Interest Rate</p> <p>The risk that fluctuations in the level of interest rates creates an unexpected or unbudgeted burden on the University's finances against which the University has failed to protect itself adequately</p>	<ul style="list-style-type: none"> <li>- Exposure to interest rate fluctuations managed with a view to containing costs, or securing interest revenues, while maintaining the security of the invested funds.</li> <li>- Prudent use of approved financing and investment instruments, methods and techniques primarily to create stability and certainty whilst at the same time maintaining sufficient flexibility to take advantage of potentially advantageous changes in the level or structure of interest rates.</li> </ul>
<p>(iii) Exchange Rate</p> <p>The risk that fluctuations in foreign</p>	<ul style="list-style-type: none"> <li>- Contracting whenever practical with students/ clients/ suppliers on terms which</li> </ul>

<p>exchange rates create an unexpected burden on the University's finances against which the organisation has failed to protect itself adequately.</p>	<p>require all payments made to or by the University to be in Sterling.</p> <ul style="list-style-type: none"> <li>- The University will hold foreign currency balances only to the extent required to fund expected future payments (normally within a 3 months' timeframe) in the same currency. Excess foreign currency balances are converted at best rates into Sterling at the earliest opportunity.</li> <li>- The Director of Finance has authority to buy, sell and hedge currency exposures through approved financial institutions.</li> </ul>
<p>(iv) Inflation Rate</p> <p>The risk that prevailing rates of inflation cause an unexpected or unbudgeted burden on the University's finances, against which it has failed to protect itself.</p>	<ul style="list-style-type: none"> <li>- The Director of Finance is responsible for monitoring current actual and future expected interest rates.</li> </ul>
<p>(ii) Interest Rate, (iii) Exchange Rate and (iv) Inflation Rate</p>	<ul style="list-style-type: none"> <li>- Reliable and informed sources of information on the likely future course of interest rates and interest rate structures, exchange rates and inflation to inform the University's budget forecasting processes and to enable an understanding of the extent to which movements in these may impact the University.</li> </ul>
<p>(v) Credit and Counterparty Risk</p> <p>The risk of failure by a third party to meet its contractual obligations to the University under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness.</p>	<ul style="list-style-type: none"> <li>- 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 its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited. It will also maintain a formal counterpart policy in respect of those organisations from which it may borrow, or with which it may enter into other financing arrangements.</li> <li>- The Director of Finance is responsible for monitoring the credit standing of</li> </ul>

	<p>counterparties. If there is any reason to believe a third party's credit standing is impaired then the Director of Finance may apply lower limits, remove the third party from the University's credit list or other records of credit worthiness and/ or take other appropriate action. Any material change in the standing of an approved counterparty is reported to the Finance and General Purposes Committee.</p> <ul style="list-style-type: none"> <li>- Funds are invested with financial institutions on the University's Approved Credit List up to the limits shown. The Credit List is confined to counterparties carrying a rating of A1 or better from one of the recognised credit agencies (The University currently uses Standard &amp; Poor and Moodys). The University Credit List is approved annually by the Finance &amp; General Purposes Committee.</li> </ul>
<p>(vi) Refinancing Risk</p> <p>The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the University and/or that the terms are inconsistent with prevailing market conditions at the time.</p>	<ul style="list-style-type: none"> <li>- The Director of Finance maintains reliable records and forecasts of the terms and maturities of the University's borrowings, capital, project and partnership funding to allow it to plan the timing of it's refinancing.</li> <li>- The University negotiates, structures and documents all its borrowings, private financing and partnership agreements and manages the maturity profile of the monies raised with a view to obtaining offer terms for renewal or refinancing which are competitive and as favourable to the University as can reasonably be achieved in the light of market conditions at the time.</li> <li>- The University actively manages its relationship with its counterparties in these transactions in such a manner so as to achieve its refinancing objectives and to</li> </ul>

	avoid over reliance on any source of funding.
<p>(vii) Legal and Regulatory Risk</p> <p>The risk that the University itself, or a third party with which it is dealing in its treasury management activities fails to act in accordance with its legal powers or regulatory requirements, and the University suffers losses accordingly.</p>	<ul style="list-style-type: none"> <li>- The Robert Gordon University (Scotland) Order of Council 2006 empowers the Governing Body of the University to:- <ul style="list-style-type: none"> <li>a) Lend, borrow or raise money and to give security or guarantees for the payment of money or the performance of obligations</li> <li>b) Buy, sell, lease property and</li> <li>c) Invest monies in investments and securities approved by the Governing Body and to dispose of such investments</li> </ul> <p>In exercising these powers Governors have regard to the Financial Memorandum between the Scottish Funding Council and the University.</p> </li> <li>- The University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements and if required will demonstrate such compliance to all parties with whom it deals.</li> <li>- While recognising that future legislative or regulatory changes may impact on its treasury management activities the University will seek to minimise any adverse impact.</li> <li>- The University will ensure that there is evidence of counterparties' power, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regards to duty of care and fees charged.</li> </ul>
<p>(viii) Fraud, Error and Corruption and Contingency Risk</p> <p>The risk that the University fails to identify the circumstances in which it</p>	<ul style="list-style-type: none"> <li>- The University's procedures for treasury management activities require:- <ul style="list-style-type: none"> <li>a) All processes to be fully documented.</li> </ul> </li> </ul>

<p>may be exposed to the risk of loss through fraud, error, corruption or eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the areas of risk commonly referred to as operational risk.</p>	<p>b) A full record of the processes pursued in making decisions and executing transactions so as to create a clear audit trail.</p> <p>c) Internal control arrangements including segregation of duties where this is practical.</p> <p>d) Regular balancing of accounting and supporting systems.</p> <p>e) Restricted access to systems and services.</p> <p>f) External Audit and Internal Audit activity</p> <ul style="list-style-type: none"> <li>- The University has emergency and contingency plans, i.e. in the case of absence of key staff.</li> <li>- The University has Fidelity Guarantee insurance providing cover of up to £500K in the case of named officers' error or defalcation.</li> <li>- The University has an approved Fraud Policy and Whistleblowing procedures.</li> </ul>
<p>(ix) Market Risk</p> <p>The risk that through adverse fluctuations in the principal sums the University invests, its stated treasury management policy and procedures are compromised against which effects it has failed to protect itself adequately.</p>	<ul style="list-style-type: none"> <li>- The University has approved procedures which limit its exposure to investments whose capital value may fluctuate (equities, bonds, collective investments, gilts, certificates of deposit, etc). Short term cash surpluses may only be invested with approved counterparties, are restricted as regards amount and investment period and may only be invested in bank deposits, money market funds, CDs or treasury bills.</li> </ul>



## APPENDIX 2 - CASH INVESTMENTS – INSTRUMENTS

Approved Cash Investment Instruments:

Instruments	Managed in House (Periods up to 6 months)	Managed in House (Periods of 3 – 24 months)	Managed Externally (Periods up to 12 months*)
Deposits with RGU's Bankers	x	x	x
Deposits with other approved UK clearers	x	x	x
Deposits with other approved banks			x
Deposits in collective investment funds		x	x**
Certificates of deposits issued by approved banks or building societies		x	x
Bills of exchange accepted by approved banks		x	x
Treasury bills		x	x

\* Exceptionally the period may be extended to 24 months with the approval of the Director of Finance.

\*\* Period of investment based on average holdings.

## Credit List and Credit Limits:

Deposit Takers	Credit Rating – Standard & Poors Short Term	Credit Rating – Standard & Poors Long Term	Managed Externally (RLAM)	Managed Inhouse – Bank Balances	Managed Inhouse – Fixed Term (6-24 months) Investments (Max investment of £15m)
<b><u>Clearers</u></b>					
Barclays Bank plc	A1	A	£3m	£5m	£10m
HSBC Bank plc	A1+	AA-	£3m		£10m
Lloyds TSB Bank plc	A1	A+	£3m		£10m
Royal Bank of Scotland plc	A1	A	£3m		£10m
<b><u>Building Societies</u></b>					
Nationwide Building Society	A1	A	£2m		£2m
<b><u>Non UK</u></b>					
BNP Paribas	A1	A+	£3m		£5m
Credit Agricole CIB	A1	A+	£3m		£5m
ING Bank NV	A2	A-	£3m		£5m
National Australia Bank Ltd	A1+	AA-	£3m		£5m
Nordea Bank Finland	A1+	AA-	£3m		£5m
Rabobank	A1	A+	£3m		£5m

Santander UK plc	A1	A	£3m		£5m
Svenska Handelsbanken	A1+	AA-	£3m		£5m
Societe Generale	A1	A	£3m		£5m
Toronto Dominion Bank	A1+	AA-	£3m		£5m
UBS AG London	A2	A-	£3m		£5m

## APPENDIX 3 – SCHEME OF RESPONSIBILITIES AND DELEGATION

The organisation of responsibilities as they relate to particular treasury management activities is set out below.

### A- Strategy, Policy and Practice

#### A1. Treasury Management policy statement and practices:

Approved by:	Proposed by:	Execution/Administration by:
Finance and General Purposes Committee	VP Corporate Operations or Director of Finance	Director of Finance or Group Financial Controller

### B- Treasury Management Activities

#### C1. Banking

1. Opening and closing bank accounts
2. Bank account mandates

Approved by:	Proposed by:	Execution/Administration by:
VP Corporate Operations or Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant

#### C2. Short Term Investments

##### 3. Sterling cash balance

##### 3.1 Surplus current account balances

Cash Balances held to meet the University's short term operational needs. The cash may be retained in the University's current bank account or invested for periods not exceeding six months.

Total Limit	Approved by:	Proposed by:	Execution/Administration by:
£5m at any time	Up to 3 months – Group Financial Controller Up to 6 months – Director of Finance	Group Financial Controller or Treasury Accountant	Treasury Accountant, Treasury Assistant or Cashier

##### 3.2 Medium term surpluses available for direct investment

Cash Surplus to the University's medium term (6-24 months) needs. The direct investment route is only used when it results in a better

investment return than is available from an investment of comparable risk made via the external cash manager.

Total Limit	Approved by:	Proposed by:	Execution/Administration by:
Up to £3m in aggregate at any time	Director of Finance	Group Financial Controller	Group Financial Controller, Treasury Accountant or Treasury Assistant
£3 - £10m in aggregate at any time	Director of Finance with counter authorisation by VP Corporate Operations	Group Financial Controller	Group Financial Controller, Treasury Accountant or Treasury Assistant
£10 - £15m in aggregate at any time	Director of Finance and VP Corporate Operations with counter authorisation by Principal or Deputy Principal	Group Financial Controller	Group Financial Controller, Treasury Accountant or Treasury Assistant

### 3.3 Cash managed on behalf of RGU by an external cash manager

These funds are surplus to the University's current operational cash needs. The appointed manager may invest the cash for various periods, generally not exceeding 12 months. The University may recall all or some of the funds at short notice.

Institutions and limits are set out in the approved credit list, where applicable the discretionary management agreements set out the permitted investments.

#### 3.3.1 Investment strategy and cash managers' terms & conditions

Approved by:	Proposed by:	Execution/Administration by:
Director of Finance recommendation to FGPC	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant

#### 3.3.2 Transfer/recall of funds between cash manager and RGU

Approved by:	Proposed by:	Execution/Administration by:
Director of Finance's scheme of delegation	Group Financial Controller or Treasury Accountant	Treasury Accountant, Treasury Assistant or Cashier

### C3. Foreign Currency Balances

The University has US dollars, Euro and Mexican Peso accounts to facilitate



receipts and payments in these currencies. In compliance with its policy to avoid exposure to exchange rate fluctuations, foreign currency balances are transferred into Sterling except to the extent that they are required to fund future payments in that currency over approximately the next three months.

#### 4. Foreign Currency Balances

##### 4.1 Convert foreign currency balances to Sterling

Currency accounts are held with the University's banker.

Approved by:	Proposed by:	Execution/Administration by:
Director of Finance's scheme of delegation	Group Financial Controller or Treasury Accountant	Treasury Accountant, Treasury Assistant or Cashier

##### 4.2 Sell or buy foreign currencies

Foreign currencies may be purchased or sold through the University's banker or any other UK clearing bank.

Approved by:	Proposed by:	Execution/Administration by:
Director of Finance's scheme of delegation	Group Financial Controller or Treasury Accountant	Treasury Accountant, Treasury Assistant or Cashier

##### 4.3 Hedge currency exposures

Foreign currency hedges may be set up with the University's banker, any other UK clearing bank, or specialist financial intermediary. Approval of any new financial intermediary is required from FGPC.

Total Limit	Approved by:	Proposed by:	Execution/Administration by:
Up to £1m, \$1m or 1m Euros	VP Corporate Operations or Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant
Greater than £1m, \$1m or 1m Euros	VP Corporate Operations or Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant

#### C4. Long Term Funds

##### 5. Robert Gordon University non-current investments

This is the investment portfolio for University funds which are surplus to the University's medium term requirements. The portfolio is managed by external managers and invested in UK and overseas equities, bonds and

property. Appendix 4 provides detail on control ranges and objectives.

5.1 Selection of fund managers, investment strategy and managers's terms and conditions.

Approved by:	Proposed by:	Execution/Administration by:
Finance and General Purposes Committee, or appointed working group, on recommendation of the Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant

5.2 Transfer/recall of funds between University and fund managers

Approved by:	Proposed by:	Execution/Administration by:
Finance and General Purposes Committee, or appointed working group, on recommendation of the Director of Finance	Director of Finance or Group Financial Controller	Treasury Accountant, Treasury Assistant or Cashier

6. Endowment Funds

These are funds left to the University to be used for scholarships and prizes. They are ring-fenced from the University's other funds and can only be used for the designated intentions.

The endowment funds are invested in a mirror portfolio of the University's non-current investments, using the same fund managers, ranges and benchmarks. Appendix 4 provides detail on control ranges and objectives.

6.1 Selection of fund managers, investment strategy and managers' terms and conditions.

Approved by:	Proposed by:	Execution/Administration by:
Finance and General Purposes Committee, or appointed working group, on recommendation of the Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant

6.2 Transfer/recall of funds between University and fund managers

Approved by:	Proposed by:	Execution/Administration by:
Finance and General Purposes Committee, or appointed working group, on recommendation of the	Director of Finance or Group Financial Controller	Treasury Accountant, Treasury Assistant or Cashier

Director of Finance		
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## C5. Borrowing

### 7. Short term overdraft facilities

The University manages its cash flow to avoid, as far as is practical, overdrawing its bank account. The University has an overdraft facility which can be utilised if necessary.

#### 7.1 Negotiating terms of overdraft facilities

Approved by:	Proposed by:	Execution/Administration by:
Director of Finance	Group Financial Controller	Group Financial Controller or Treasury Accountant

#### 7.2 Capital Leases

The University can enter into capital leases for the procurement of assets.

Total Limit	Approved by:	Proposed by:	Execution/Administration by:
Up to and including £0.5m	Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant
Greater than £0.5m	VP Corporate Operations or Director of Finance	Director of Finance or Group Financial Controller	Group Financial Controller or Treasury Accountant

#### 7.3 Long term loans – new loans and refinancing of existing loans

The University may borrow long term to fund major building expenditure or other projects, or may refinance existing loans to take advantage of favourable market conditions.

Approved by:	Proposed by:	Execution/Administration by:
Board of Governors on recommendation by FGPC	VP Corporate Operations or Director of Finance	Group Financial Controller or Treasury Accountant

## C- Director of Finance's Scheme of Delegation

Expenditure	Authorisation Requirement	Authorisers
Up to £5K	One authoriser	Treasury Accountant, Accounting Services Supervisor, Group Financial Controller or Director of Finance.
£5K - £20K	Two authorisers	Treasury Accountant, Accounting Services Supervisor, Group Financial Controller or Director of Finance.
£20K - £2.5m	Two authorisers	Group Financial Controller, Director of Finance or VP Corporate Operations.
Over £2.5m	Two authorisers	Director of Finance and VP Corporate Operations.

## APPENDIX 4 – PERFORMANCE OBJECTIVES & RISK MANAGEMENT

### (i) Investment Managed In-house

	Investment Period	Investment Limit (Total)	Target Return (Net of Fees)
Sterling Cash Surpluses	Up to 6 months	£5m	Bank Base Rate
Sterling Cash Surpluses	6 – 24 months	£15m*	SONIA rate or Bank Base Rate + 10pps
Euro Cash Balances			75% of Euro bank base rate
US Dollars Cash Balances			70% of US Dollar bank base rate

\* Investments of up to £3m in aggregate at any time.

### (ii) External Cash Managers

Investment Period	Investment Limit (Total)	Target Return (Net of Fees)
Up to 12 months	No Limit	SONIA rate + 10pps

### (iii) Non-current Investments and Endowment Funds

Manager	Asset Class	Benchmark (%)	Benchmark Index	Target
Baillie Gifford	Global Equities	40.0	MSCI AC World Index	Outperform the benchmark by 2% - 3% p.a. (gross of fees) over a rolling five year period.
Baillie Gifford	Multi-Asset	20.0	UK Base Rate	Outperform the benchmark by 3.5% p.a. (net of fees) annualised over a rolling five year period and annualised volatility of less than 10%.

Royal London	Corporate Bonds	20.0	iBoxx Sterling Non Gilts All maturities Index	Outperform the benchmark by 0.75% p.a. (gross of fees).
Savills	Property	20.0	AREF/MSCI All Balanced Funds Property Index	To deliver a high and secure level of income and to maintain the capital value of assets held.

Fund manager's fees are detailed within the individual discretionary management agreements and in the Investment Policy Statement.