



MORLEY COLLEGE LONDON

Treasury Management Policy

POLICY OWNER:	Chief Finance Officer
FINAL APPROVAL BY:	Governing Body
Policy Category:	Corporate
Approved by Policy Committee:	9 May 2022
Approved by Governing Body:	12 December 2022
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1. Introduction and Purpose

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 to the level or structure of interest rates.

c) Exchange Rate Risk Management

Exchange Rate risk is defined as the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the institution's finances, against which the institution has failed to protect itself adequately.

The College 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.

d) Credit and Counterparty Risk Management

Credit and Counterparty Risk is defined as the risk of failure by a third party to meet its contractual obligations to the institution under an investment, borrowing, capital, project or partnership financing, particularly as a result of third party diminished creditworthiness, and the resulting detrimental effect on the institution's capital or revenue resources.

The College regards the prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty list is constructed with security in mind, but with a reasonable spread to make the most of market conditions. The list will be reviewed on a continuing basis and at least annually.

e) Refinancing Risk Management

Refinancing risk is defined as the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the institution for those refinancings, both capital and revenue, and / or that the terms are inconsistent with prevailing market conditions at the time.

The College 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 the renewal or refinancing, if required, which are competitive and as favourable to the College as can reasonably be achieved in the light of market conditions prevailing at the time. The College will manage its relationship with its counterparts to secure this objective and will avoid over-reliance on any one source of funding.

f) Legal and Regulatory Risk Management

Legal and Regulatory risk is defined as the risk that the institution itself, or a third party with which it is dealing, fails to act in accordance with its legal powers or regularity requirements, and that the institution suffers losses accordingly.

The College will ensure that it has identified the circumstances which may expose it to

on any circumstances of non-compliance with the College's treasury

	Sustainability Committee if required
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3. Credit and Counterparty Lists

The Chief Finance Officer is responsible for monitoring the credit standing of approved counterparties. Where there is a reason to believe that a counterparty’s credit standing is, or may, become impaired, lower limits will be applied. Any change to the counterparty list should be advised to the Governing Body.

Funds may be invested with approved counterparties providing they carry a minimum A+/A1 rating or better from one of the recognised credit rating agencies, i.e. Standard & Poors, Moodys or Fitch IBCA

4. Financing and Refinancing

If the College intends to raise capital for new projects and/or intends to refinance the whole or part of an existing debt portfolio, the Chief Finance Officer will have regard to:

- x the level of security required for the project (if required)
- x the maximum level of assets that could be provided as security without adversely affecting the stability of the College
- x the value of assets already pledged as security on any existing facilities
- x requirements of the Education & Skills Funding Agency (under the Financial Memorandum)
- x any statutory restrictions and the College’s own powers/rules
- x restrictions on the College’s use of its property assets required by loan documentation/and other covenants
- x Proposed lender
- x comparison with alternatives
- x main terms and covenants
- x the costs involved (associate fees, arrangements and otherwise)
- x the level and nature of interest rates charged and structure in the current market place

Schedule B – Best Value and Performance Measurement

1. Best Value

The College currently makes use of the banking facilities provided by NatWest plc. The College will from time to time re-tender for the provision of day to day banking services. Any appointment will, in the first instance be for a period not exceeding five years.

The following services will be subject to tender every 5 to 10 years;

- x Fund management services (if applicable)
- x Financial Adviser/Merchant Bank (if applicable)
- x Cash management, money broking services and general financial advice

2. Performance Measurement

a) In house performance

The table below sets out the target benchmarks for in-house investment performance.

Currency	Benchmark Target
Euros	N/A

US\$	N/A
£ - under £0.1m	0.25% p.a.
£ - under £0.5m	0.5% p.a.
£ - over £0.5m	0.75% p.a.

b) Investment Managers (If applicable)

Benchmarks for the above are normally agreed with the Investment Manager and documented as such

c) Debt Management

The Chief Finance Officer will, having regard to the annual budget, set targets to quantify:

- x Borrowing costs
- x Interest rates
- x Debt levels

Schedule C – Approved Instruments, Methods and Techniques

1. Investment and Deposit of Surplus Funds

- a) The overriding principle guiding the investment of surplus funds is to **achieve a satisfactory return while keeping risk to an acceptable level.**
- b) Surplus cash balances may be invested as follows:
 - x **Deposits** with approved banks
 - x **Deposits** with approved building societies
 - x **Certificates of deposit** issued by approved banks
 - x **Deposits** with approved Money Market Funds

Schedule D – Organisation, Segregation of Responsibilities and Dealing Arrangements

Responsibilities of Treasury Management Posts

1. The Governing Body

The Governing Body has specifically reserved to itself the approval of all borrowing and the approval of Treasury Management Policy. The Governing Body will:

- a) consider the terms and conditions of any proposed borrowing, taking account of the impact of the borrowing, any covenants and provision of security on the overall stability and financial health of the College.
- b) approve an annual financial strategy.
- c) receive and review reports on treasury management policies, practices and activities.
- d) periodically consider any amendments to the treasury management policy statement and practices.
- e) budget consideration and approval.
- f) approve the division of responsibilities.
- g) receive and review external audit reports and follow-up action.
- h) approve selection of external service providers and agree terms of appointment.

2. Chief Finance Officer

The Chief Finance Officer on behalf of the Principal, will be responsible for and have delegated authority to:

- a) Prepare an annual financial strategy as part of the budget process for approval

4. Reporting Requirements

The following matters should be included in reports to the Governing Body

a) Annual Report to Governors

- x Commentary on treasury operations for the year.
- x Cash flow compared with budget and commentary on variances.
- x Annual financial strategy for the next financial year as part of the annual budget-setting process
- x Proposed amendments to the treasury management policy statement.
- x Matters in respect of which the treasury management policy statement has not been complied with.

b) Periodic Reports

- x Analysis of currently outstanding loans, deposits and investments by instrument, counterparty, maturity and interest rollover periods.
- x Commentary on treasury operations for the period.
- x Cash flow compared with budget and commentary on variances.
- x Commentary on continued applicability of annual financial strategy and proposals for amendments. -