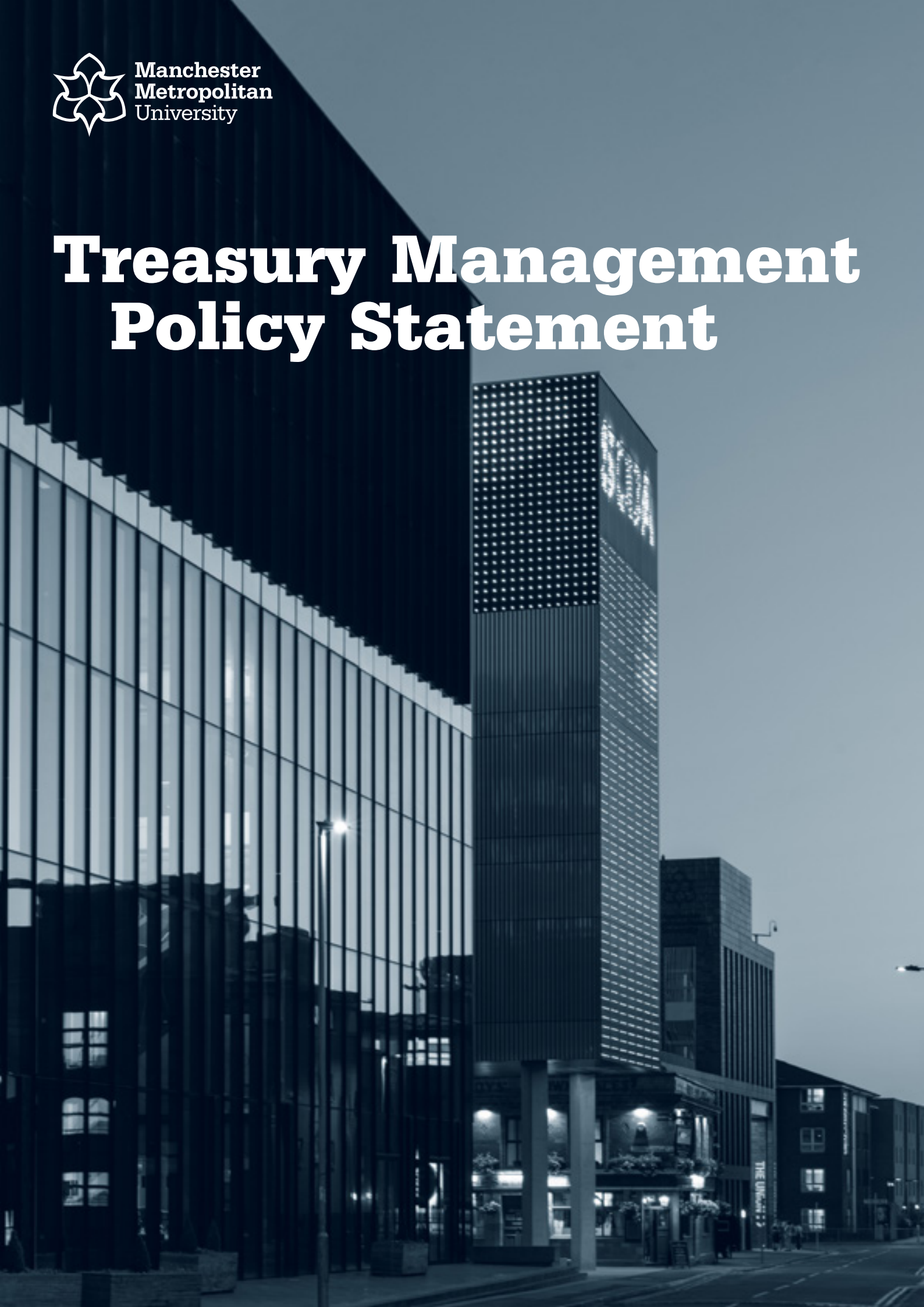


Treasury Management Policy Statement



This statement sets out the policies, practices, and objectives of Manchester Metropolitan University's treasury management activities.

It covers the roles and responsibilities, principal areas of risk and how the University will manage these risks.

This statement is reviewed and approved annually by the People, Finance and Resources Committee.

Contents

| | |
|--|---|
| 1. Introduction..... | 3 |
| 2. Counterparty risk | 3 |
| 3. Liquidity risk | 4 |
| 4. Interest rate risk..... | 4 |
| 5. Exchange rate risk..... | 5 |
| 6. Performance Measurement | 5 |
| 7. Roles and Responsibilities | 6 |
| 8. Reporting Requirements | 6 |
| 9. Banking Arrangements | 6 |
| 10. Investment of Endowment Funds..... | 6 |
| Schedule 1: Counterparty Criteria..... | 7 |
| Schedule 2: Relationship banks | 7 |
| Ethical Investment Policy | 8 |





1. Introduction

The main objectives of the treasury management function are to:

- Safeguard the financial assets and investments of the University.
- Ensure that the University has sufficient liquidity and sources of funding to meet current and future operational and strategic objectives and obligations.
- Ensure surplus cash is appropriately invested to achieve a satisfactory return while maintaining required levels of counterparty risk.
- Ensure that the University can service any external borrowing and adhere to the associated financial covenants.
- Take a proactive approach in managing the financial risks associated with treasury activity in line with this policy statement.
- Oversee and maintain effective banking arrangements, including banking relationships.
- Avoid directly investing in funds in areas that would conflict with the University's core aims and objectives.

No treasury management activity is without risk and therefore defining the level of acceptable risk is essential. The treasury policy is designed to minimise the risk associated with treasury activity, with a key focus on the security of the principal sums involved, however it cannot eliminate risk entirely.

2. Counterparty risk

The risk that the University is exposed to counterparties failing to meet their contractual obligations.

The University will:

- Invest surplus cash balances in a range of counterparty products with high credit quality as determined by the Long-Term Credit Ratings from Standard & Poor's, Moody's and Fitch,
- Review credit ratings at least quarterly for institutions in which funds are held and before any new funds are deposited.
- Adhere to the counterparty limit criteria stipulated below and the counterparty credit criteria set out in Schedule 1.

If a counterparty's credit ratings fall below the required minimum the University will take appropriate action to protect the capital investment as a priority.

The Chief Financial Officer is authorised to invest and deposit surplus cash balances of the University in any of the counterparty products listed below:

| Counterparty Products | Limits | Investment Parameters |
|--|-----------------------|--|
| Current Account Special interest-bearing account | £50m | University's main bankers – Barclays |
| Fixed term deposits with UK Regulated Banks and Building Societies | £25m per counterparty | Up to 24 months |
| Deposits with AAA rated Money Market Funds | £50m per counterparty | Instant Access |
| Certificates of Deposit | £50m | Maximum limit of £10m in any single investment, up to 24 months. |
| Financial Corporate Bonds | £25m | Maximum limit of £10m in any single investment, up to 24 months. |
| UK Government Bonds and Treasury Bills | £25m | Maximum limit of £10m in any single investment, up to 24 months. |

The University's approved fund manager, KW Wealth Planning Limited ("Kingswood") can control up to £50m to invest in line with the table above and the University's counterparty credit criteria in Schedule 1.

To mitigate bank group exposure the specified deposit limits are the aggregate amounts which may be on deposit with all institutions in the same banking group sharing a banking licence.

In the event that the number of counterparties is constrained the Chief Financial Officer can temporarily raise the cash deposit limit by up to £10m, applying that limit first to the University bankers (Barclays). Such a decision will be reported to the People, Finance and Resources Committee as part of the annual treasury management report.

3. Liquidity risk

The risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due.

The University will at all times ensure that it has adequate liquidity (cash, cash equivalents, current investments and undrawn borrowing facilities) to meet its working capital requirements.

The University will:

- Optimise the returns from surplus cash balances giving priority to security, then liquidity and then yield.
- Only invest with counterparties that have a credit rating in line with Schedule 1
- Ensure borrowing arrangements, overdraft facilities, or standby facilities are in place in advance of need.

- ensure a mix of deposit types.
- monitor funds against a net liquidity KPI of 60 days.

In the event that the University needs to either renew existing borrowing facilities or obtain new facilities, the Chief Financial Officer will seek approval from the People, Finance and Resources Committee.

The University will:

- only borrow in advance of need in accordance with the University's Financial Strategy.
- ensure that its borrowings and other long-term liabilities are properly negotiated, structured and documented.
- actively manage its relationships with its counterparties in these transactions to ensure that terms are competitive and as favourable to the University as can reasonably be achieved in the light of market conditions prevailing at the time.

4. Interest rate risk

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the University's finances.

The University will:

- contain the volatility of its interest rate costs through the management of its interest rate exposure by fixing the interest cost of any long-term debt when appropriate.
- Secure interest revenues whilst maintaining the security of the principal sum invested, in accordance with section 2 above and Schedule 1

5. Exchange rate risk

The risk that currency fluctuations can affect expected future operating cash flows.

The Chief Financial Officer is authorised to sell any foreign currency holdings that are surplus to requirement and to buy foreign currency to meet the University's obligations

The University will:

- only retain funds in foreign currencies to the extent that payments are due to be made in these currencies. Currency receipts surplus to this will be exchanged into sterling at the best rate achievable.
- aim to conduct all transactions in GBP as its base currency and the currency which reflects the vast majority of its cost base unless there is a good reason to conduct the transaction in a foreign currency.

Any significant future cash flows in foreign currencies should be managed when the amount and timing is known with reasonable certainty to avoid any increase in costs or reduction in income arising from adverse movements in exchange rates. The appropriate hedging tool in such circumstances is a forward currency contract with a primary relationship bank as defined in Schedule 2.

6. Performance Measurement

The treasury management function will be the subject of ongoing review by the Chief Financial Officer of the value it adds in support of the University's stated objectives.

A monthly treasury report will be produced to include:

- a review of weekly cash balances showing budget, actual and forecast.
- commentary on key variances.
- cash deposits detailing amount, counterparty, period and interest rate.
- Counterparty long term ratings, highlighting any movements since last reviewed.
- month end liquidity KPI performance
- outstanding forward contracts
- available borrowing facilities

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 accountability, demonstrating that reasonable steps were taken to ensure all issues relevant to those decisions were taken into account at the time.



7. Roles and Responsibilities

People, Finance and Resources Committee:

- Approval of or amendments to the University's adopted clauses, treasury management policy statement and treasury management practices.
- Budget consideration and approval
- Approval of the division of responsibilities
- Approving the selection of external service providers and agreeing terms of appointment
- To review and approve borrowing requirements

Audit & Risk Committee:

- Receiving and reviewing internal and external audit reports, and monitoring the effective and timely implementation of recommendations.

Chief Financial Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function and promoting value for money reviews
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Recommending the appointment of external service providers
- Approval of investments and deposits in line with the provisions set out in this policy
- Opening / closing of bank accounts for deposit / investment purposes
- In the Chief Financial Officer's absence all treasury transactions will be dealt with in line with the Treasury Mandate

Treasury Accountant:

- Execution of transactions
- Adherence to agreed policies and practices on a day-to-day basis
- Maintaining relationships with third parties and external service providers including cash fund managers
- Monitoring cash flows on a daily basis
- Submitting management information reports to the Chief Financial Officer

- Identifying and recommending opportunities for improved practices
- Prepare and maintain systems documentation relating to treasury management function

8. Reporting Requirements

The University will ensure that regular reports are prepared and considered on the operation of the University's treasury management policy; on the effects of decisions taken and transactions executed in pursuit of this policy; on the implications of changes, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and the performance of the treasury management function.

As a minimum, the People, Finance and Resources Committee will receive an annual report that covers;

- the strategy and plan to be pursued in the coming year;
- the activities and performance of the treasury management function during the year, including the reasons for and the effects of any changes to the strategy set at the beginning of the year;
- the performance of any external service providers;

9. Banking Arrangements

The University recognises the importance of ensuring effective control over its bank accounts. In line with Financial Regulations, all funds due to the University are deposited in accounts with the University's main relationship banks (Barclays and HSBC) unless otherwise approved by the Chief Financial Officer.

Banking arrangements will be subject to review with the Banks' relationship managers on a regular basis. Additionally, a value for money review of the Banking contract will be undertaken within a period not exceeding five years and the results reported to the People, Finance and Resources Committee.

10. Investment of Endowment Funds

The Chief Financial Officer is responsible for investing endowment funds in ways which meet any requirements of the benefactor while also ensuring compliance with the University's Ethical Investment Policy.

To minimise risk to an acceptable level, any endowment funds should be invested in a diversified portfolio which does not have excessive exposure to any specific sector or industry.

All investments of endowment funds should be reported to the People, Finance and Resources Committee in the Treasury Management Annual Report.

Schedule 1: Counterparty Criteria

All counterparties must meet the minimum acceptable Long Term credit rating assigned by at least two of the credit rating agencies at the time of investing, as per the table below:

| | Fitch Rating | S&P Rating | Moody's Rating |
|----------------|---------------------|-----------------------|-----------------------|
| Minimum Rating | A- | A- | A3 |

These ratings reflect a high credit quality with low credit risk.

| | Moody's Investors Service | Fitch Ratings | S&P Global Ratings | Rating Grade Description |
|-------------------------|---|--|--|---|
| Investment Grade | Aaa | AAA | AAA | Highest credit quality, lowest level of credit risk |
| | Aa1 Aa2 Aa3 | AA+ AA AA- | AA+ AA AA- | Very high credit quality with very low credit risk |
| | A1 A2 A3 | A+ A A- | A+ A A- | High credit quality with low credit risk |
| | Baa1 Baa2 Baa3 | BBB+ BBB BBB- | BBB+ BBB BBB- | Good credit quality with moderate credit risk |
| | Ba1 Ba2 Ba3 | BB+ BB BB- | BB+ BB BB- | Speculative with substantial credit risk |
| | B1 B2 B3 | B+ B B- | B+ B B- | Highly speculative with high credit risk |
| | Caa1 Caa2 Caa3 | CCC+ CCC CCC- | CCC+ CCC CCC- | Substantial credit risk with default as a real possibility |
| | Ca | CC | CC | Very high levels of credit risk with default either occurring or about to occur |
| | C | C | C | Default or default-like process has begun |
| | Speculative Grade | | SD | RD |
| | | D | D | Default: Issuers are unlikely to pay their obligations and have likely entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedures. |

Schedule 2: Relationship banks

It is important that the University maintains positive relationships with a small number of banks that are aligned to the strategy of the University. The following banks are the main relationship banks used by the University given their ability to support the University's activities:

Primary relationship banks

- Barclays
- HSBC

Secondary relationship banks

- Lloyds

Regular meetings will be held with the primary relationship banks. Progress in achieving the University's strategic objectives will be shared openly with these banks.

Ethical Investment Policy

Introduction

The Manchester Metropolitan University sets out to invest its funds with due consideration for ethical, environmental, corporate governance and social issues.

Scope and Approach

The aim of the ethical investment policy is to incorporate an ethical approach to the investment of short-term deposits, investments, endowments and pension scheme investments. The ethical investment policy requires a systematic, measured, and continuous improvement approach, recognising that ethical investment must be meaningful.

Roles and Responsibilities

This policy will be owned by the Chief Financial Officer and implemented by key University Finance personnel and third-party investment professionals under the guidance of the Chief Financial Officer to ensure their activity is in line with the purpose of this policy.

Compliance with the Policy will be periodically reviewed by the Environment Strategy Group and reported annually at the University Finance and People,

Finance and Resources Committee and via the annual **Sustainability Report**.

Statement of Policy

This Policy should be read in conjunction with the Treasury Management Policy, and once adopted will be embedded as a schedule to that Policy.

The University routinely invests surplus funds and endowments with third party organisations. It also may make investments in spin-out companies and other related parties as these opportunities arise.

It is the intention of the University to make investments in ways that are consistent with the mission and values of the University, and its corporate strategy.

To achieve these aims, the University will aim to place all short-term investments and endowments with financial institutions whose investment objectives are aligned to the University's values.



The University does not intentionally invest directly (or through collective funds) in;

- fossil fuel companies.
- arms companies.
- corporations complicit in the violation of international law.
- organisations with high exposure to activities or substances, which are potentially injurious to health (including alcohol and tobacco)

The University is committed to helping protect and preserve the global environment and does not invest directly in organisations that do not have policies to control and significantly reduce the risk of serious negative environmental and social impacts.

To ensure compliance with this policy the University will:

- Consider the ethical implications of investments alongside the commercial opportunities.
- Allow members of the University staff and student community and other relevant stakeholders to engage with the ethical investment policy through the membership of the Environmental Strategy Group.
- Ensure that where fund managers undertake the University's investments that they operate to socially and ethically responsible objectives in line with this policy.
- The University will publish a list of its investments as part of the annual reporting process, to ensure open and transparent communication with its stakeholders.

Endowments

The Chief Financial Officer is responsible for investing endowment funds in ways which meet any requirements of the benefactor while also ensuring compliance with the University's Ethical Investment Policy.

To minimise risk to an acceptable level, any endowment funds should be invested in a diversified portfolio which does not have excessive exposure to any specific sector or industry.

All investments of endowment funds should be reported to the People, Finance and Resources Committee in the Treasury Management Annual Report.

Pension Scheme Investments

The funded pension schemes used by the University are multi-employer funds constituted as separate corporate bodies with their own boards of trustees. Consequently, the schemes' funds are invested and managed entirely separately from those of the University. However, the University will engage with the scheme managers to ensure they have their own ethical investment policies which are consistent with the University's, and that those policies are applied in practice.

Policy Review

This policy will be reviewed and monitored annually by University People, Finance and Resources Committee on behalf of the Board of Governors.

| | |
|--------------------------|---|
| Last reviewed: | November 2023 |
| Next review date: | November 2024 |
| Document owner: | Andrew Hewett, Chief Financial Officer |