



**Manchester
Metropolitan
University**

**FINANCIAL PROCEDURE – 3
TREASURY MANAGEMENT POLICY STATEMENT**

Financial and Legal Services

7/10/2016

Contents

1. OVERVIEW OF THE TREASURY MANAGEMENT POLICY STATEMENT	3
2. POLICY OBJECTIVES AND PRINCIPLES	5
3. CASH AND CASH FLOW MANAGEMENT	8
4. USE OF EXTERNAL SERVICE PROVIDERS.....	8
5. COUNTERPARTY FINANCIAL LIMITS	9
6. BORROWING.....	10
7. MONEY LAUNDERING	11
8. IMPLEMENTATION AND MONITORING OF THE POLICY	11
9. PERFORMANCE MEASUREMENT	12
10. REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS.....	14
ETHICAL INVESTMENT SCHEDULE	16

1. Overview of the Treasury Management Policy Statement

- 1.1 This statement sets out the policies, practices and objectives of Manchester Metropolitan University's treasury management activities, as agreed by the Finance and Resources Committee.
- 1.2 The Treasury Management Policy for Manchester Metropolitan University is to adopt best practice in defining processes and procedures that are appropriate for meeting the financial needs of the Institution. It adopts CIPFA's '*Treasury Management in the Public Services: Code of Practice*' together with the relevant requirements of the Memorandum of Assurance and Accountability (MAA) with the Higher Education Funding Council for England (HEFCE).
- 1.3 In accordance with the CIPFA Code of Practice, the University defines its treasury management activities as follows:
 - The management of the institution's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks.
 - The successful identification, monitoring and control of risk is 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 organisation.
 - Effective treasury management will provide support towards the achievement of its business objectives. Achieving value for money in treasury management, and employing suitable performance measurement techniques, within the context of effective risk management, are the guiding principles.

1.4 The key objectives of the Treasury management function, taking due account of the above, are to:

- Ensure sufficient liquidity to meet the University's funding requirements in both the short and long term
- Provide effective management of surplus cash funds
- Provide a robust and responsive risk management framework
- Ensure that the University can service any external debt/borrowing by effective management of interest expense, and adhere to financial covenants
- Oversee and maintain effective banking arrangements, including banking relationships
- Avoid directly investing funds in areas that would conflict with the University's core aims and objectives

1.5 The treasury management activity will be informed (and driven) by the University Financial Strategy which seeks to:

- Provide for the long term sustainability of the University
- Provide effective management and generation of resources in support of the strategic plan, in order to ensure that the University can invest in the future from a robust and healthy financial base.

1.6 The Treasury Management policy, in supporting the University's Financial Strategy, will have due regard to:

- Financial health, including financial plans and forecast
- Cash flow forecasts and requirements, including capital investments and disposals
- Working capital management, including debt management and creditor payment policy, income, payments and payroll.

2. Policy objectives and principles

2.1 The University's policy objectives are:

- i. To ensure the security of the principal sums it invests. Accordingly, the University will ensure that its counterparties and limits reflect a prudent attitude towards organizations with which funds may be deposited, and will limit its investments activities to the instruments, methods and techniques referred to in this document.
- ii. To maintain adequate liquidity by ensuring it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it, at all times, to have the level of funds available to it which are necessary for the achievement of its business objectives and to meet working capital requirements as they arise.
- iii. To keep surplus cash fully invested and to achieve a satisfactory return while managing the risk to a level acceptable to the Finance and Resources Committee.

2.2 There are significant areas of risk associated with Treasury Management including interest rate risk, exchange rate risk, loan financing, credit risk and money laundering. The University will adopt the following policy principles to minimise these risks:

- i. Sources of financing will be approved by the Finance and Resources Committee along with approved borrowing amounts and duration. The University will only borrow in advance of need where there is a clear business case for doing so, and only in accordance with the University's Financial Strategy.
- ii. The University will invest only with financial institutions with an acceptable credit rating assigned by at least two of Fitch Ratings, Standard & Poor's (S&P) Ratings or Moody's Ratings Services. Where the University uses a Broker, other adviser, or cash fund manager they will be requested to identify the best opportunities within the University's credit rating framework.

Minimum acceptable Long Term credit ratings are as follows:-

	Duration	Fitch Rating	S&P Rating	Moody's Rating
UK Banks and Building Societies	Up to 24 months	A-	A-	A3
Non-UK Banks	Up to 12 months	A	A	A2

In addition, for all non-UK bank investments, the Long Term sovereign rating must be a minimum of AA-, from at least two of the above rating agencies.

For the avoidance of doubt, UK banks and building societies are defined as those that have an established place of business in the UK, and are primarily regulated by Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). This does not preclude, therefore, use of counterparties where the ownership is wholly or partly outside the UK.

- iii. The University will ensure that its counterparty list is constructed with security in mind, but with a reasonable spread to make the most of market conditions and to manage risk.
 - iv. The University will only employ those instruments, methods, and techniques detailed below, within the limits and parameters defined in this treasury management policy.
 - Deposits with approved banks
 - Deposits with approved Building Societies
 - Deposits with approved non-UK banks
 - Certificates of Deposit (CD's) issued by FSA regulated financial institutions
 - UK Government Bonds and Treasury Bills
 - Financial Corporate Bonds
- 2.3 These investment instruments are limited to the approved names on the Counterparty List (which can be obtained from the University's Treasury Office) and the operative financial and credit ratings set therein.
- 2.4 Invested amounts will be up to agreed cash limits per counterparty and for periods no longer than 24 months. Further details are set out in section 5 of this document.
- 2.5 Funds will be retained 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.
- 2.6 To avoid exposure to exchange rate fluctuations, currency receipts should be transferred into sterling within one month of receipt, except where currency payments are due to be made.

2.7 The Director of Finance is authorised to buy and sell currencies with any of the organisations listed below.

Institution	Limits
University Bankers and Other UK Clearing Banks	\$5 million Euro 5 million
Financial Brokers (Registered by the FSA)	\$5 million Euro 5 million

The limits set out above may be amended only with approval of the University's Finance and Resources Committee.

3. Cash and cash flow management

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 and timely basis.

4. Use of external service providers

The University recognises that whilst at all times responsibility for treasury management decisions remains with the organisation there is the potential value of employing external providers, including cash fund managers of treasury management services, in order to acquire access to specialist skills and resources that will enable the University to invest across the range of permitted cash instruments. When it employs such service providers, the Director of Finance 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 view. Further, it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

5. Counterparty Financial limits

5.1 The Director of Finance is authorised to invest and deposit surplus funds of the University cash balances with, any of the organisations listed below to ensure achievement of the best returns available.

Counterparties	Limits	Time Period
University's Bankers Barclays	£35m	Up to 24 months
UK Banks and Building Societies	£25m	Up to 24 months
Non-UK Banks	£6m	Up to 12 months
Financial Corporate Bonds (via fund managers)	£10m	Instant access Up to 24 months
UK Government Treasury Bills (via fund managers)	£25m	Instant access Up to 24 months
CD's (via fund managers)	£10m	Instant access Up to 24 months

Notes

*University clearing bank meets A/A-/A2 criteria at time of writing (July 2016)

- Deposits no longer than 24 months
- 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, (whom are registered with the PRA or FCA). For

example Lloyds banking group include Halifax and Bank of Scotland and are treated as one institution

- Rating criteria, never less than A-/A-/A3 for UK banks and building societies (A/A/A2 for non-UK banks), this will be kept under review in the event of further sovereign downgrades
- Corporate Bonds may be held to maturity unless held in diversified fund portfolios as advised by fund managers.
- Should levels of surplus cash reach such a level that the number of counterparties are temporarily unduly constrained (e.g. upon receipt of Student Loan Company instalment payments), then the Director of Finance can temporarily raise credit limit by up to £10m, applying that limit first to the University bankers (Barclays) . Such a decision will be recorded for audit purposes, and reported to the Finance and Resources Committee.

Note:

The limits set out above may be amended only with approval of the University's Finance and Resources Committee.

6. Borrowing

6.1 Where it is the intention of the University to raise capital for new institutional projects, the Director of Finance will have regard to:

- i. the level of security for the project;
- ii. the value of assets already held as security on existing capital projects;
- iii. requirements of the financial memorandum with the funding council;
- iv. statutory restrictions and the institution's own powers and rules;
- v. restrictions on the institution's use of its property assets required by covenants;

- vi. the maximum level of assets that should be provided as security without risking the overall stability of the institution.

7. Money laundering

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. Remittances of large foreign currency payments, in particular for overseas student tuition fees, present a potential money laundering risk. For the purposes of legislation in this area (in particular, the Money Laundering Regulations 2003 and the Proceeds of Crime Act 2002) the University is classed as a relevant body and, as such, the University has a responsibility to disclose any suspicious financial transactions to the relevant authorities. The policy ensures that procedures are in place to satisfy the University's obligations under the regulations.

8. Implementation and monitoring of the Policy

- 8.1 The University's Finance and Resources Committee has the responsibility for agreeing the overall Treasury Management Policy Statement and any amendments to the adopted clauses. It will also approve the selection of external service providers and agree the terms of appointment.
- 8.2 All executive decisions on borrowing, investment or financing shall be delegated to the Director of Finance or through his staff, who shall be required to act in accordance with the University's Treasury Management Policy Statement.
- 8.3 There will be 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.

8.4 The University will provide the necessary training to ensure that it has access to the expertise, knowledge and skills required for all treasury related issues.

8.5 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. He will review the performance of the treasury management function and promote best value.

9. Performance measurement

9.1 The Director of Finance will measure the performance of treasury management activities. In assessing the rate of return on investments the following measures will be utilised.

For interest earned on self-managed (in-house) funds the benchmark will be:

Euros	base-rate
US \$	base-rate
Core Investment Cash £	1 month LIBOR

Quarterly reports will show funds held, interest earned, and comparisons to benchmarks.

The benchmark and reporting requirements for any external service providers used, will be as set out in the agreement with the company and will be as approved by Finance and Resources Committee.

10. Banking Arrangements

10.1 The University recognizes 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 bank unless otherwise approved by the Director of Finance.

10.2 Banking arrangements will be subject to periodic review with the Bank's Relationship manager 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 Finance and Resources Committee.

10.3 All Bank Accounts will be reconciled on a periodic basis.

11. Responsibilities in relation to treasury management

(i) Finance and Resources Committee

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

(ii) Audit Committee

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

(iii) Director of Finance

- 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

iv) 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 performance on a day-to-day basis
- Submitting management information reports to the Director of Finance
- Identifying and recommending opportunities for improved practices
- Regular service level reviews with all elements of the banking facilities

12. Reporting requirements and management information arrangements

12.1 Regular reports will be prepared and considered on: the implementation of the University's treasury management policy; the effects of decisions taken and transactions executed in pursuit of this policy; 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.

12.2 As a minimum, the Finance and Resources Committee will receive:

- i. an annual report on the strategy and plan to be pursued in the coming year;
- ii. an annual report on 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;
- iii. an annual report on the performance of any external service providers.
- iv. a short annual update on the Ethical Investment policy

ETHICAL INVESTMENT POLICY

Circulation

MMU Policy Website
Staff, Students, other University Stakeholders and Public

1. Purpose of Policy

- 1.1. The purpose of this policy is to show that when Manchester metropolitan University sets out to invest its funds with due consideration for ethical, environmental, corporate governance and social issues.

2. Scope and Approach

- 2.1. The ethical investment policy applies to all staff, students and stakeholders of Manchester Metropolitan University and sets out to incorporate an ethical approach to short-term deposits, investments and pension scheme investments. The ethical investment policy requires a systematic, measures and continuous improvement approach, recognising that ethical investment must be meaningful and substantial.

3. Roles and Responsibilities

- 3.1. This policy will be owned by the Director of Finance and implemented by key University Financial, Legal and Investment personnel under the guidance of the Director of Finance to ensure their activity is in line with purpose of this policy.
- 3.2. The Policy will be reviewed and reported on by the Director of Finance on an annual basis on the University Finance and Resources Committee and as appropriate within the Annual Sustainability Policy in order to increase scope of communication and understanding of the University's commitments to Ethical Investment.

4. Definition of Ethical Investment

- 4.1. Investing in businesses that demonstrate a morally positive and sustainable approach to the environment, governance and society.

5. Executive Summary

- 5.1. In accordance with the University's 2012 – 2017 Corporate Strategy, this Ethical Investment Policy will be implemented and wherever possible, will be adhered to.
- 5.2. The policy states that the University will seek to invest, be that; short term deposits, investments or pension scheme investments, in companies and countries which demonstrate a morally positive approach to the environment, governance and society.
- 5.3. The Policy shall be reviewed and reported on, on an annual basis by the Finance and Resources Committee and as appropriate through the University's Annual Sustainability Statement to increase awareness, understanding and engagement.

6. Statement of Policy

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

- 6.2. The University routinely invests funds with third party organisations through the investment of surplus funds and endowments. It also may make investments in spin-out companies and other related parties as these opportunities arise.
- 6.3. 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 (2012 to 2017).
- 6.4. In deciding on counterparties and companies in which to invest, the University aims to remain consistent with ethical values in pursuit of its visions and values. In order to achieve these aims, the University will not knowingly invest in companies and other organisations whose corporate social responsibility values do not reflect those of the University.
- 6.5. The University publishes a list of its investments as part of the annual reporting process, to ensure open and transparent communication with its stakeholders.
- 6.6. The University does not intentionally invest directly (or through collective funds) in organisations with high exposure to activities or substances, which are potentially injurious to health (including alcohol and tobacco), destabilise community cohesion, threaten international stability, or contribute to the violation of International conventions and norms in respect of human rights, employment practices and conditions, and climate change.
- 6.7. The University is committed to helping protect and preserve the global environment and in terms of the environmental sustainability, does not invest directly in organisations that do not have policies to control and significantly reduce the risk of serious negative environmental impact.
- 6.8. In order to ensure compliance with this policy the University will:
- 6.9. Consider the ethical implications of investments alongside the commercial opportunities.
- 6.10. Allow members of the University staff and student community and other relevant stakeholders to engage with the ethical investment policy by posting the policy on the University web pages with appropriate contact details.
- 6.11. Ensure that where fund managers undertake the University's investments that they operate to socially and ethically responsible objectives consistent with those of the University.
- 6.12. Review this policy on an annual basis as part of the normal operating review of the University's Treasury Policy

7. Short Term Deposits

- 7.1. The bulk of the University's Investments are surplus cash funds invested through money market deposits with UK Banks and Building Society counterparties as governed by the prevailing Treasury Management Policy and approved by the Finance and Resources Committee. The existing approved counterparties have corporate social responsibility values and objectives that are set out in their annual reports.

8. Investments

- 8.1. A list of all investments is included in the University's Financial Statements, which are published annually.
- 8.2. It is not the policy of the University to directly invest in Equity holdings through the stock market. At present, there are investments as detailed in the Accounts published annually. In the main these are legacy holdings of minimal value resulting from the development of spin out opportunities by the University.
- 8.3. The holdings are grouped as required by statute, and comprise;
 - i. Investment in subsidiary and associated companies
 - ii. Loans to related parties
 - iii. Other investments

9. Pension Scheme Investments

- 9.1. The 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 entirely separately from those of the University.

10. Policy Review

- 10.1. This policy will be reviewed and monitored by University Finance and Resources Committee and reported upon in the Annual reports and accounts of the University and also through its annual sustainability statement.
- 10.2. The University will also review comments made in relation to of this policy by staff, students and other stakeholder to ensure effective engagement with this policy.