

TREASURY & ETHICAL INVESTMENT MANAGEMENT POLICY

Introduction

1. This statement sets out the university's policy concerning raising capital finance and investment of surplus funds. It also deals with the internal movement of surplus funds between accounts established by the university. This statement has been adopted by the university in accordance with its financial regulations. It covers the university and any subsidiary undertaking. A copy has been forwarded to both internal and external audit for information purposes.

Scope

2. Treasury management comprises the management of all cash, money market investments, long-term investments and capital market transactions in connection with the cash and funding resources of the university and the control of associated risks.
3. All treasury and investment management activities involve risk and potential reward. The policy of the university on borrowing is to minimise cost while maintaining the stability of the university's financial position by sound debt management techniques. The objective for investment purposes is to achieve the best possible return while minimising risk. The overriding principle for long-term investments is to generate an appropriate financial return within an appropriate level of risk.

Approved Activities

4. Subject to the provisions of the policy statement, the Chief Financial Officer and the designated members of staff indicated in the 'Scheme of Delegation Policy' are authorised by Finance and General Purposes Committee, to:
 - Deposit surplus funds of the university and purchase certificates of deposit issued by any of the organisations listed in 'Approved Institutions' of this statement up to a maximum limit or sub-limit specified for each individual organisation: and
 - Borrow funds subject to the strategy agreed by Finance and General Purposes Committee.
 - Appoint an Investment Manager(s) to oversee all or part of the long-term investments in compliance with donor's wishes.
5. The university will hold limited balances of regularly used foreign currency i.e. US\$ and Euro, not to exceed £500k.

Formulation of Treasury and Ethical Investment Management Strategy

6. The university's strategy for the application of its treasury policy mirrors that set out in "Treasury Management in Higher Education: A Statement of Best Practice" (CIPFA 1995) and in the annual financial strategy prepared by the Chief Financial Officer and approved by Finance and General Purposes Committee.
7. The Chief Financial Officer will prepare for the approval of Finance and General Purposes Committee:
 - An annual forecast of surplus funds and loan repayment requirements for the coming financial year; and
 - A strategy for funding the university's capital finance proposals and investing surplus cash for the period covered by the forecast.

8. In preparing the strategy the Chief Financial Officer will have regard to:
- The maintenance of the stable financial position of the university. They will ensure that the university has appropriate facilities available to meet its capital and interest repayments; for funding needs arising from uncertainties inherent to the planning process and from the timing and amount of cash flows;
 - The current level of interest rates and forecasts of future changes in interest rates. They will prepare a recommendation for approval by Finance and General Purposes Committee of any new proposals to raise capital finance and the impact of forecast interest rates on these proposals. In addition, they will indicate the maximum proportion of interest on borrowing which is subject to variable rates of interest;
 - The policies contained in other planning documents within the university e.g.:
 - The strategic plan;
 - The revenue budget and capital programme;
 - The estates strategy and;
 - Working capital management, including debt collection policy and policy on creditor payments, including payroll.
9. Based on the annual forecast the Chief Financial Officer will prepare rolling three-month cash flow projections of the short-term surplus cash for the purpose of applying the strategy on a day to day basis. The results of applying the strategy will be reported to Finance and General Purposes Committee. Where applicable during the course of the year the Chief Financial Officer will recommend amendments to the strategy to Finance and General Purposes Committee.
10. The Chief Financial Officer has the authority to carry out the university's strategy for depositing surplus funds and managing the cash flow of the university. In exercising these powers, they will have regard to the perceived credit risk associated with the approved organisations with which funds may be deposited or invested; to the effect of possible changes in interest rates on the cost of borrowing and the return from investing and to the need to maintain adequate liquid funds to meet the university's obligations.
11. The Chief Financial Officer and Vice Chancellor have the delegated authority to appoint Investment Managers and/or deposit monies with approved investment funds in accordance with the policy. In exercising these powers, she/he will have due regard to the achievement of the investment objectives as well as the level of investment risk and potential investment returns after all associated costs.
12. More detailed guidance concerning the contents of the annual financial strategy is set out in the 'Matters to be Included in the Annual Financial Strategy' of this statement.

Ethical Investment Policy

13. Harper Adams University promotes active engagement with the community and fully accepts its broad responsibilities towards society. It promotes environmentally sustainable ways of working and living, and welcomes donations from alumni, corporate benefactors and other supporters. To enable the educational purposes of donations to be achieved, the university will, from time to time, invest surplus funds and endowments with third party organisations.
14. Wherever possible and in accordance with Charity Commission guidelines, the university wishes to make such investments in ways that are consistent with the mission and values of the university.
15. Harper Adams University expects its investment managers, as part of their normal investment research and analysis process, to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments. The university will strive to invest in companies where the activities of the company are, on ethical grounds, consistent with the educational and/or research objectives of the university. The university will also take into

account the published guidance of the Charity Commission on ethical and socially responsible investment of charitable funds.

16. The university will not knowingly invest in companies whose activities include practices which directly pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the mission and values of the university.

17. In order to give effect to its commitment to this policy the university will:

- Monitor and review the university's investments annually to ensure that ethical standards are maintained;
- Seek investment opportunities with companies which have demonstrated a positive record of ethical performance;
- Not engage in any investment with companies which have demonstrated a negative record of ethical performance and/or withdraw from engagement with companies should their ethical performance decline;
- Engage with companies in which it considers investing, and where appropriate use its influence to encourage ethical standards, practices and lines of business acceptable to the university;
- Issue guidance for fund managers responsible for the university's investments.

18. Where appropriate, the university would expect the issues raised with fund managers to include the following;

Environment	The quality of their environmental management, policies and reporting, their efficient use of resources and any pollution convictions that they may have.
Overseas Operations	Their policies towards human rights, the nature of any operations in the third world and their observance of labour standards. Also, their marketing techniques, supply chain management and the quality of internal controls.
Workplace	Their approaches to equal opportunities, training, health and safety and employee welfare.
Product/Service	The effect of the manufacture and sale of their products and services on public health and safety. The significance and benefits of any positive products and services.
Community	Their involvement and impact in local communities both in the UK and overseas, the extent and nature of charitable donations and the significance of any advertising complaints.
Political Activity	The extent to which they donate money and/or services to local, national and international political bodies. The extent of any lobbying activity and membership of lobby groups.

19. This policy is intended to be entirely consistent with the duty to secure maximum returns from the investment of charitable funds. It is consistent with the university's general Environmental Policy and its Carbon Management Strategy and shall apply to everyone who specifies and buys goods and services on behalf of the university.

20. Staff or students who wish to propose investment or disinvestment may do so by writing at any time to the Chief Financial Officer or the Deputy University Secretary / University Secretary. Such

representations shall be reported to and considered by the Finance and General Purposes Committee at the next meeting that occurs after the comments are received.

Approved Methods of Raising Capital Finance

21. For each proposed capital borrowing the Chief Financial Officer will prepare a report for Finance and General Purposes Committee detailing the following:

- Borrowing requirement;
- Proposed lender;
- Interest rate structure;
- Interest rate;
- Arrangement fees;
- Security arrangements;
- Purpose;
- Projected cash flow;
- Comparison with alternatives;
- Compliance with approved borrowing strategy;
- Arrangements for draw-down;
- Legality;
- Arrangements for compliance with the Office for Students Regulatory Framework (OfS 2018.01)
- Any other matters which might assist Finance and General Purposes Committee in considering the proposal.

Approved Sources of Finance

22. For each capital borrowing requirement, the Chief Financial Officer will seek the approval of Finance and General Purposes Committee for their proposed sources and methods of finance. Such approval will take account of the following:

- The university's powers and regulations;
- Statutory restrictions;
- The requirements of the Office for Students Regulatory Framework (OfS 2018.01), and;
- Terms and covenants of borrowing.

Money Market Investments and Depositing of Surplus Funds

23. The overriding principle guiding the investment of surplus cash balances is the preservation of the capital value of the university's resources. The Chief Financial Officer has delegated authority to invest the funds of the university in accordance with the annual financial strategy and in accordance with the terms of this statement. They are authorised to deposit or invest funds only with the organisations and subject to the limits set out in the 'Approved Institutions' of this statement and approved annually by Finance and General Purposes Committee.

24. The Chief Financial Officer is responsible for monitoring the creditworthiness of approved deposit takers using appropriate external sources of information including credit agency reports and continuing exposure below the approved limits where appropriate. Individual limits can only be exceeded with the prior consent of Finance and General Purposes Committee.

Long-Term Investments as required by Donors

25. The objective of investments as required by donors is to meet the terms of the stipulated conditions.

26. Long-Term Investments held shall be limited to permitted investments as follows:

- Treasury Bills
- Commercial Paper

- Corporate Bonds
- Sovereign Bonds
- Supra-national Bonds
- Eurobonds
- Collective investment schemes
- Quoted Securities
- Structured Products
- Alternative Investments

27. Long-Term Investments pose a greater risk than cash deposits or money market investments but offer potentially greater reward. The policy of the University to seek the optimum return for an appropriate level of risk. The Finance and General Purposes Committee set the overall attitude to risk.

Interest Rate Exposure

28. The Chief Financial Officer is responsible for monitoring the university's interest rate exposure and for determining the interest rate exposure strategy within the limits set by this statement and by the annual financial strategy.

29. The principle factor governing the exposure of surplus funds to interest rate movements is the university's cash flow forecast.

30. Where surplus funds are required to meet possible cash outflows in the near future they will necessarily be deposited for short term periods which will ensure that funds are available. For investment for longer periods the annual financial strategy will give guidance on interest rate exposure policy.

31. Policy governing the exposure of loans to interest rate movements should be informed by:

- The current level and structure of interest rates.
- Current interest rates compared with historical trends.
- Estimates of future movements in the level and structure of interest rates.
- The extent to which estimated future movements in interest rates would affect the revenue account and the effect of estimated future movements in interest rates on the revenue account if all loans were to be converted to floating rates.
- The sensitivity of the revenue account to fluctuations in future interest rates compared with estimates.

Legal Issues

32. Prior to entering into any borrowing or investment transaction it is the responsibility of the Chief Financial Officer to satisfy themselves (by reference, if necessary, to the university's legal advisors) that the proposed transaction does not breach any statute, the university's financial regulations, the requirements of the Financial Memorandum with the OFS or any terms and covenants concerning borrowing.

Use of External Managers

33. The university may appoint external managers to assist in the university's treasury positions and/or investments. The terms of any engagement of external managers, which will set out in detail the matters for which the external managers are responsible together with the demarcation between external managers' responsibilities and those of the university's own staff, will be approved by the Finance and General Purposes Committee. The terms of engagement will formally require the external managers to be bound by the requirements of this statement and the annual financial strategy.

34. External managers may be appointed with responsibility for day to day treasury and/or investment matters, but the university will retain full responsibility for the safeguarding of its funds and for

setting the treasury and investment strategy. Consequently, all the matters set out in this statement and in the annual financial strategy would continue to apply to those areas of treasury and/or investment management with which the external managers might deal including, in particular, the policy for interest rate exposure and credit policy, although it is recognised that the external managers would be consulted in drawing up the aspects of treasury and/or investment policy relevant to their work.

Delegation

35. The university has drawn up an 'Approved Scheme of Delegation' for the operation of treasury policy.

Review and Reporting

36. The Chief Financial Officer will report quarterly to Finance and General Purposes Committee. The matters to be included in the report are:

- Analysis of current loans, deposits and investments by instrument, counterparty, maturity and interest rollover period.
- Commentary on treasury operations for the period.
- Commentary on the performance of long-term investments for the period including a comparison against a relevant benchmark index.
- Cashflow compared with budget/forecast with commentary on major variances.
- Revisions to cashflow forecast and future estimates of interest rates and the impact on the financial forecast.
- Proposed amendments to the list of approved counterparties and to limits (where appropriate).
- Areas of non-compliance with the treasury management policy.

37. Other matters will be drawn to the attention of Finance and General Purposes Committee as appropriate.

Systems and Procedures

38. The Chief Financial Officer maintains the treasury systems document which sets out the detailed systems and procedures which are in place to ensure delivery of the policy.

Scheme of Delegation for Treasury Policy

Delegated power	Exercised by
Approval and amendment of Treasury Management Policy	Finance and General Purposes Committee
Amendment of list of approved institutions and limits	Finance and General Purposes Committee
Approval of annual financial strategy	Finance and General Purposes Committee
Application of approved strategy	Chief Financial Officer/ Head of Financial Accounting & Operations
Treasury dealing with counterparties	Chief Financial Officer/ Head of Financial Accounting & Operations
Authorisation of cash transfers	Chief Financial Officer/ Head of Financial Accounting
Borrowing and lending documentation	Chief Financial Officer/ University Secretary/ Board of Governors

Bank and dealing mandates Chief Financial Officer/ Head of Financial Accounting under authority of the Finance and General Purposes Committee

Authorisation of terms of reference of external managers Chief Financial Officer under authority of the Finance and General Purposes Committee

Approved Institutions

39. The types of investment that may be represented in the portfolio include securities and money market instruments listed below (all denominated in sterling):

a) Banks and Building Societies

- i. Deposits with approved institutions
- ii. Certificates of Deposit issued by approved institutions:
 - Barclays Bank plc.
 - HSBC Bank plc.
 - Lloyds Banking Group plc.
 - Royal Bank of Scotland Group plc.
 - Santander UK plc.
 - Scottish Widows Bank plc.
 - Nationwide Building Society

b) Investment Funds

- i. Deposits with approved investment funds.
- ii. Shares and Certificates of Deposit issued by approved investment funds:
 - COIF Charities Deposit Fund
 - M&G Investments
- iii. A portfolio of long-term investments, managed by an approved investment manager:
 - Brewin Dolphin

Notes:

- 40. The maximum deposit with any one approved institution at any one time is £3,000,000. This restriction does not apply to the university's clearing bank (currently Lloyds Banking Group plc.).
- 41. To qualify for entry on the approved list, an institution should have a long-term rating of at least A2 from Moody's or A- from Standard & Poor's. Institutions subsequently falling below these thresholds should be removed from the list.
- 42. To qualify for entry on the approved list as an Investment Manager, an institution should be authorised and regulated by the Financial Conduct Authority, be of sound repute and have been selected after an appropriate tender process.

Matters to be Included in the Annual Financial Strategy

- 43. Forecast cash flows for the next financial year and for the following three years.
- 44. Maturity ladder for existing loans.
- 45. Analysis of present levels of short- and long-term interest rates, comparison with historical trends and estimated trend movements in interest rates over the next financial year.

46. Proposals to be submitted to Finance and General Purposes Committee for information and approval:

- Total outstanding borrowing.
- Maximum proportion of interest payable on variable rate borrowing.

47. Strategy for financing new loan requirements over the next four years:

- Proposed sources of finance.
- Proposed maturity structure.
- Whether fixed or floating rate and, if floating rate, proposed rollover periods
- Suggested mechanisms for controlling interest rate exposure.
- Estimated rates of interest.
- Effect of proposed loans on the university's overall security position.
- Proposed new maturity ladder.
- Estimated effect on revenue budget of financing strategy.
- Expected maximum total outstanding and expected maximum proportion of interest payable on variable rate borrowing.

48. In respect of surplus funds:

- The extent to which surplus funds are earmarked for short term requirements or to repay maturing loans, if applicable.
- The extent to which surplus funds should be held available to meet contingencies.
- The proposed strategy (type of instrument and maturity period) for each of:
 - Surplus funds earmarked for short term requirements or to repay loans.
 - Surplus funds to be held available to meet contingencies.
 - Surplus funds not held against an anticipated requirement and the revenue effect of the proposed strategy.

49. Changes to the organisations and limits set out in the Treasury Management Policy statement.

50. Proposals to be submitted to the Finance and General Purposes Committee for amendments to the Treasury & Ethical Investment Management Policy statement.

Liz Furey
Chief Financial Officer
February 2021

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February 2021