Treasury Management Procedure

Section 1 - Context

(1) This procedure provides the mechanisms for management and mitigation of financial risks that are identified in the Treasury Policy.

Section 2 - Authority

(2) The Treasury Policy governs the application of this procedure.

Section 3 - Scope

(3) This procedure applies to all staff of the University and its controlled entities authorised to administer treasury management functions, unless local legislation requires different approach. All deviations from this procedure due to the local requirements must be reported to the Chief Financial Officer (CFO).

Section 4 - Procedure

Management and Mitigation of Cash and Liquidity Risk

(4) The Finance team, via existing planning processes including budget, forecast and the long term financial plan, will consider numerous events that may affect cash flow of the group and/or put pressure on liquidity.

(5) Weekly cashflow projections will be provided to the CFO including a minimum of eight weeks forecast and the details of the borrowing. A monthly update will be provided to the Vice-Chancellor.

(6) In the preparation of the cashflows the following factors will be analysed and considered:

a. unplanned reduction in revenue
b. unplanned operating expenditure
c. changes in students' enrolments
d. additional revenue streams
e. new controlled entities, joint ventures, industry engagements
f. business disruption
g. unplanned capital expenditure
h. sustained reduction in operating margin
i. distressed capital markets
j. distress in the banking sector
k. change in government funding.

(7) The University will work on minimising the number of bank accounts and where possible cash will be managed

from the central bank account.

(8) The University will maintain readily available on accounts at call and short-term investments equivalent to two fortnightly gross salaries or $30m whichever is lower.

a. Any decrease in the cash balance by over fifty percent of the approved minimum at the end of the reporting period must be approved by the CFO.
b. Any increase in the cash balance by over fifty percent of the approved minimum at the end of the reporting period must be reported to the CFO including the justification for the increase.

Management and Mitigation of Foreign Exchange Risk

Material Contracts in Foreign Currencies

(9) For all material contracts the University will initially seek to have all contracts with customers and vendors in Australian Dollars.

(10) Material contracts in foreign currency should be identified during the budgeting process and reported to Deputy CFO Central Finance Operations, including the amounts, details of the counterparties and dates for payments/receipts.

(11) Committed and "highly probable" foreign currency exposures identified should be hedged, according to the following table:

Type of exposure	Hedge percentage
Foreign currency loans and associated fixed interest payments (USPP)	100%
Committed income and expenditure denominated in a foreign currency	Range 0 to 100%
Highly probable income and expenditure denominated in a foreign currency	Year 1: 0% to 100% Year 2: 0% to 80% Year 3: 0% to 50% Year 4 onwards: 0%

(12) For all identified material contracts Financial Services will negotiate hedging instruments. The following hedging instruments are authorised for risk management mitigation:

a. Cross-currency interest rate swaps (for foreign currency loans)
b. forward exchange contracts
c. purchased foreign exchange options
d. foreign exchange collar options in which the exchange rate is hedged within a minimum and a maximum exchange rate level.

Non-material Contracts in Foreign Currency Including Student Fees

(13) Non-material contracts should be in Australian Dollars where possible to minimise the cost of transactions.

(14) The systems for accepting payments from the international students should be designed to accommodate major currencies and to minimise inconvenience for foreign currency payments without increasing foreign currency risk and potentially compromising the University's financial position.

(15) Deputy CFO Central Finance Operations will recommend the acceptable currencies and methods of payments.

(16) CFO will approve the recommendations.

Management and Mitigation of Borrowing and Debt Risk

(17) Borrowings will only be arranged with organisations that are judged to have sufficient financial strength to ensure that the funds committed under the facilities will be available as and when they are required by the University in accordance with the terms of the loan agreement. The credit rating of the organisation must be at or above the level listed in the Treasury Policy.

(18) When external funding is required for new institutional projects, the CFO will review and approve:

a. the level of security for the project
b. the value of assets already held as security on existing capital projects
c. statutory restrictions and the institution's own powers and rules
d. restrictions on the University’s use of its property assets required by covenants, particularly US Private Placement (USPP) funding.

Management and Mitigation of Interest Rate Risk

(19) The University will seek to minimise the cost of borrowing.

(20) Authorised ranges for fixed interest rate exposure on borrowings are set out in the following table. The calculation is based on executed fixed interest swaps/options plus fixed interest debt divided by total debt (excluding USPP in 4.3 below).

Age of the debt	Range of total debt recommended to be fixed	
	Minimum authorised proportion	Maximum authorised proportion
91 days to 1 year	0	100.0
1 year and over	0	80.0

(21) USPP is hedged from USD fixed to AUD fixed over the tenor of the USPP and accordingly is excluded from the table above.

(22) For the purposes of the table above debt forecasts are maintained for a three-year forecast period.

(23) The following are authorised hedging instruments:

a. Interest rate swaps
b. Forward rate agreements
c. Purchased interest rate cap options
d. Interest rate collar and cap options in which floating rate debt is hedged within a minimum and a maximum interest rate level.

Management and Mitigation of Counterparty and Credit Risk

(24) All contracts must be approved in accordance with the Contract Management Policy.

(25) Prior to signing any legally binding agreements that have financial obligations, the relevant staff must seek assistance from Finance to review the counterparty creditworthiness.

(26) The credit rating of the counterparty must be at or above the level listed in the Treasury Policy.

(27) Any deviation from the approved credit ratings must be reported to CFO, who will seek the further approval from Audit and Risk Management Committee or an approved delegate.

(28) Counterparty exposure is measured as the total value of the exposure of all obligations of any single legal or economic entity (e.g. a group of companies). The exposure for short term monetary investments will be the face value of the instruments, and the exposure for derivatives will be measured based on the potential credit exposure per the following table:

Instrument	Credit exposure measured by
Bank account, deposit, bank bill, commercial bill	100% of face value
Interest rate swap, interest rate option	Market value plus 5% of the nominal hedge amount
Forward exchange contract, cross-currency swap, foreign exchange options	Market value plus 20% of the nominal hedge amount

(29) Counterparty limits have been determined from a combination of whether the investment is guaranteed by the providing institution and the Standard & Poor’s (S&P) credit ratings of each institution.

(30) Total exposure to any counterparty is limited to A$50m unless approval is gained from the CFO or a delegate.

(31) Surplus cash above the liquidity minimum is to be invested only with financial institutions that hold credit ratings at or above those listed in the Treasury Policy. Any ratings below these levels are considered too uncertain. The details of the approved long-term investments instruments are listed in clause 5.9 of this procedure.

(32) The following are authorised investment instruments; any other forms of investment of surplus cash must be approved by the CFO:

a. interest bearing bank accounts
b. term deposits.

Management and Mitigation of Operational Risk

(33) Financial policies and procedures must be maintained and kept up to date.

(34) Segregation of duties should be maintained and reviewed regularly. Where impossible to segregate the tasks, a review of access and change logs must be performed on regular basis.

(35) Interfaces into financial institutions are reviewed and approved by the Information Technology team.

Management and Mitigation of Investment Risk

(36) Cash available for long term investments is represented by the combined funding from philanthropic donations and any surplus above the minimum cash holdings.

(37) Long term investments will be placed only with appropriate management funds selected based on a competitive tender process.

(38) Review of the fund’s performance will be performed on a regular basis by the Investment Management Committee comprising the representatives from Finance (Deputy CFO Central Finance Operations), external

investment advisor(s), environmental policy advisor(s) and a University academic with the relevant research expertise.

(39) The Committee will report to CFO provide an update to ARMC on at least a biannual basis.

(40) The Committee will operate based on the Charter and Terms of Reference approved by ARMC.

Status and Details

Status	Current
Effective Date	19th October 2020
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Approval Authority	Chief Financial Officer
Approval Date	31st August 2020
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Policy Owner	James Morgan Chief Financial Officer
Policy Author	Tom Weir Director, Central Finance Operations
Enquiries Contact	Central Finance Operations