Treasury Policy

Section 1 - Purpose

(1) The purpose of this Policy, together with the Finance Governance Policy, is to provide a framework and policy guideline within which the University Group manages its treasury function and risks to financial market variables.

(2) The University Group is exposed to treasury-related risks arising from debt raising, foreign exchange, the investment of surplus funds and associated cash management activities. The safeguarding of the University's financial resources must be achieved with respect to the principles of public accountability and compliance with relevant legislation, including those established under the University of Canberra Act 1989.

(3) The core objectives of the University's treasury function are to:

a. conduct treasury management in a risk averse and non-speculative manner, in accordance with the overall Policy and for an outcome that optimises the University's financial resources;
b. operate in an effective manner and maintain the necessary controls to prevent unauthorised transactions;
c. ensure that business and long-term strategic plans are supported with a viable financial plan that both details how these plans will be financed and enables accurate monitoring of progress towards these financial objectives;
d. maintain a level of liquidity to meet both planned and unforeseen cash requirements to ensure the ongoing liquidity and funding of the University;
e. identify, control and manage interest rate and foreign exchange exposures within the parameters of predetermined control limits to protect the University's assets from significant adverse movements;
f. maintain efficient cash management processes, forecasts and reporting;
g. provide an appropriate reporting package to senior management, the Finance Committee and Council – this information will include reporting policy compliance and identification of exposure position; any breaches of this Policy will also be reported and will continue to be reported as long as the breach continues.

(4) This Policy is intended to evolve as the University's business and structures change. A formal review process will be undertaken every two years, but a provision is made for alterations to the Policy to be implemented by specific approval by Council.

Section 2 - Principles

Borrowing policy

(5) The University Group may borrow for two purposes:

a. General Purpose Debt: for working capital purposes and to enable the University to implement capital expenditure at an accelerated rate.
b. Specific Purpose Debt: to enable the University to construct, acquire or invest in an asset, the cash flows generated by which are expected to wholly or substantially service the associated debt.

(6) In either case, the University will borrow only if the resulting working expenditure or investment contributes materially to achievement of the University's strategic objectives.

(7) In accordance with the Financial Management Act 1996, the University must obtain approval in writing from the ACT Treasurer prior to entering into any borrowings. The University must ensure all legislated requirements are met, including compliance with any terms and conditions of the borrowings specified by the ACT Treasurer.

Liquidity risk management

(8) The main objective of liquidity risk management is to ensure that the University has enough funds available to meet its financial obligations in a timely manner. It should also cater for unforeseen events which may reduce operating cash flows and cause pressure on the University's liquidity.

Funding risk management

(9) Funding risk is the risk that the University is unable to renew borrowing facilities, or to receive a favourable outcome, due to market conditions at the time it seeks to refinance. The Chief Financial Officer must renegotiate and try to obtain a formal offer of a replacement facility(ies), at the latest, three months ahead of an existing facility maturity.

Interest rate risk management

(10) Interest rate risk management has the objective of controlling the University's exposure to movements in interest rates to:

a. manage the total interest expense incurred by the University's debt;
b. manage variations in interest expense for the debt portfolio from year to year; and
c. maintain sufficient flexibility in its interest rate risk management profile to enable the University to respond to exceptional circumstances.

(11) The University will manage its exposure to interest rate risk on ongoing borrowings by identifying a core level of debt, applying the risk control limits explained in the following paragraph and considering the use of interest rate hedging structures. Core Debt is defined as the part of total debt that is unlikely to fluctuate as a result of seasonal fluctuations in business activities. It excludes specific project debt, as this may be structured on a case-by-case basis to best meet individual project requirements.

(12) University management will determine, and recommend to the Finance Committee for approval, an appropriate positioning between fixed rate and floating rate debt to manage the University's exposure to adverse movements in interest rates. Once the University's borrowing profile is established, it is expected that floating rate debt will not exceed 50% of the University's core debt for an extended period, unless otherwise agreed by the Finance Committee. This control will apply where the level of core debt exceeds $50 million, and will be reviewed periodically in line with University borrowing requirements.

Interest rate hedging

(13) Where floating rate debt exceeds 50% of core debt (or whatever proportion is deemed appropriate by the Finance Committee), the University may consider reducing its level of interest rate risk by hedging a portion of its floating rate borrowings.

(14) The Finance Committee must be advised prior to entering into hedging instruments such as interest rate swaps or options (including caps, floors and collars).

Foreign exchange policy

(15) Foreign exchange risk is the risk that the University will suffer financial loss due to adverse movements in foreign exchange rates thereby decreasing the value of assets or increasing the value of liabilities and payments.

(16) Wherever commercially practicable, the University conducts its business and seeks to have contracts denominated in Australian Dollars.

(17) Foreign currency risks are to be managed by the Chief Financial Officer in accordance with the procedures outlined in the Treasury Procedures.

Authorised foreign exchange instruments

(18) Where considered necessary by the Chief Financial Officer, the treasury function is permitted to undertake transactions with approved counterparties using only the following physical and derivative financial instruments to meet the policies set out in this document:

a. forward exchange contracts; and
b. other instruments as nominated by the Finance Committee from time to time.

(19) Recommendations to Council for the approval of new instruments are to be supported by the agreement of the Finance Committee.

Section 3 - Responsibilities

(20) The responsibility for the management and control of the University Group's treasury function and treasury risks belongs to the following:

a. Council;
b. Finance Committee;
c. Chief Operating Officer and Vice-President Operations (COO);
d. Chief Financial Officer; and
e. Investment Committee (refer to the University's Investment Policy) Management Boards of entities wholly owned by the University.

WHO	RESPONSIBILITIES
Council	• Approves, upon recommendations from the University Finance Committee: ∘ The Treasury Policy and amendments to it ∘ All borrowings counterparties and funding facility agreements, and ∘ Any requests to operate outside of the Treasury Policy. • Delegates to University management the appropriate transactional and reporting responsibilities in accordance with the University's Delegations of Authority Policy.
Finance Committee	• Oversees the strategies and performance of treasury activities against established benchmarks. • Receives a formal, written report at each Finance Committee meeting outlining the University's cash and debt position and compliance with the Treasury Policy. • Reviews the Treasury Policy every two years and makes recommendations to Council with respect to the Treasury Policy, including debt strategy and any proposed changes to the permitted instruments, risk control limits, procedures and delegated authorities.

WHO	RESPONSIBILITIES
Chief Operating Officer and Vice-President Operations (COO)	• Responsible for ensuring the careful implementation of treasury strategy within Council-approved limits and in line with strategies agreed by the Finance Committee. • Ensures the efficient operation of the University's banking structure, processes and relationships and that financial transactions are conducted in the highest possible standards of ethics and honesty. • Ensures compliance with regulatory requirements. • Maintains contact with relevant executives and Council to ensure potential future treasury risks and exposures are identified and managed on a timely basis.
Chief Financial Officer	• Responsible for the University's day-to-day treasury function in accordance with this Treasury Policy and the Treasury Procedure. • Ensures the Treasury Procedure support the Treasury Policy. • Identifies the profile of borrowing requirements on a 12-month basis in line with capital expenditure and cash flow plans as presented within the annual budget and planning processes each year. • Responsible for reporting to the Finance Committee and Council (minimum annually). Ensures that rolling cash flow forecasts are generated. • Responsible for ensuring reporting and disclosure in the Annual Financial Statements is in accordance with Accounting Standards and relevant legislation and regulations.
Management of Boards of entities wholly owned by the University	• The entity complies with this Policy. • Guidance is sought from the Chief Financial Officer prior to entering into any investment or borrowing arrangements.

Section 4 - Procedures

(21) Refer to the Treasury Procedure.

Section 5 - Definitions

Terms	Definitions
Core Debt	The part of total debt that is unlikely to fluctuate as a result of seasonal fluctuations in business activities. It excludes specific project debt, as this may be structured on a case by case basis to best meet individual project requirements
University Act	University of Canberra Act 1989.
University Group	The University of Canberra and all entities wholly owned by the University.

Status and Details

Status	Future
Effective Date	1st January 2025
Review Date	1st January 2028
Approval Authority	Policy Specialist
Approval Date	2nd December 2024
Expiry Date	To Be Advised
Custodian	Geoff Drummond Chief Financial Officer
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