Treasury policy

Section 1 - PREAMBLE

(1) This Policy is effective from 1 October 2023.

Governing Legislation

(2) This Policy is governed by the Deakin University Act 2009 (Vic).

Section 2 - PURPOSE

(3) This Policy establishes the University treasury framework to provide guidance on responsible and effective treasury management to manage financial risks.

(4) This Policy identifies the financial risks and delivers a treasury management framework that allows the University to mitigate those financial risks whilst minimising the cost of debt and maximising returns on surplus funds held.

Section 3 - SCOPE

(5) This Policy applies to all staff of the University and its controlled entities authorised to administer treasury management functions.

(6) This Policy does not apply to the financial investments monitored by the Investment Committee. These are managed in accordance with the Investment Policy.

Section 4 - POLICY

Principles, areas of financial risk and mitigation strategies

(7) The University is exposed to treasury related risks arising from cash and liquidity, foreign exchange, interest rate, borrowing and debt management and associated cash management operational activities. The safeguarding of the University's cash resources must be achieved with respect to the principles of public accountability and compliance with relevant legislation, including those established under the Deakin University Act 2009 (Vic).

Liquidity risk

(8) The University will manage its liquidity risk to ensure the University has access to appropriate cash resources to meet all its operational requirements and financial obligations when they fall due by:

a. maintaining a level of liquidity to meet both planned and unforeseen cash requirements;
b. undertaking regular forecasting to ensure that the University has access to appropriate cash resources to meet its financial obligations as and when they arise;
c. using term deposits in compliance with the guidelines set out in the Investment Governance Framework;

d. ensuring effective, efficient and orderly use of credit and borrowing facilities;
e. ensuring compliance with credit and borrowing facilities' covenants and undertakings; and
f. ensuring that any debt maturity profile is appropriately structured.

Counter-party credit risk

(9) The University will manage credit risk and the potential loss arising from default or insolvency of a financial institution with the primary sources of credit exposure governed by the Policy being cash held in bank accounts, bank deposits, and the undrawn portion of committed credit facilities.

(10) The overall level of counter-party credit exposure to individual financial institutions to acceptable levels will be through institution selection, diversification, term maturity, and related decisions.

(11) Restrictions to minimise counter-party credit risk are set out in the Investment Governance Framework.

Borrowing and debt management risk

(12) Borrowings may be utilised to support the University's liquidity. Future borrowings requirements will be estimated during the annual Financial Planning process and included within Budget Financial Statements.

(13) In accordance with section 45 of the Deakin University Act 2009 (Vic), the University must obtain approval in writing from the Victorian 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 Victorian Treasurer.

(14) Borrowings will only be arranged with institutions 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. The credit rating of the institution must be at or above Standards and Poor's rating "A-1".

(15) Borrowing risk relates to raising funds in an orderly manner, as required and without penalty. The University will maintain a prudent level of debt and ensure debt service obligations are manageable and within the financial capacity of the University. Borrowings and debt risk will be managed by the following actions:

a. regular forecasting to ensure that working capital, cash and the relevant financial ratios requirements are met and maintained;
b. a long-term capital strategy is in place;
c. sufficient awareness of debt market accessibility, the instruments available, the mechanisms under which debt can be raised and their changing relative cost effectiveness; and
d. effective, efficient and orderly use of credit facilities through the adoption of reliable liquidity management planning and procedures.

(16) Consistent with clause 8f the University will ensure that the debt maturity profile is appropriately structured, taking into account the University's infrastructure and working capital funding requirements, asset/liability matching and refinancing risks.

Foreign exchange risk

(17) The University will mitigate its exposure to variations arising from exchange rate movements by:

a. wherever commercially practicable, conducting its business and seeking to have contracts denominated in Australian Dollars;
b. hedging material contracts in foreign currencies using approved hedging instruments:

i. cross-currency interest rate swaps (for foreign currency loans);
ii. forward exchange contracts;
iii. purchased foreign exchange options; and
iv. foreign exchange collar and cap options in which the exchange rate is hedged within a minimum and a maximum exchange rate level.

Interest rate risk

(18) The University will regularly monitor and analyse interest rate movements to optimise interest rate risk management strategies. The University will minimise the impact of interest rate fluctuations on its profitability by:

a. managing variations in interest expense for the debt portfolio from year to year;
b. managing interest rate risk by determining the appropriate level of fixed and floating rate exposure for each reporting period;
c. establishing ranges for fixed interest rate exposure on borrowings; and
d. the University may consider reducing its level of interest rate risk by hedging a portion of its floating rate borrowings.

Operational risks

(19) The Chief Financial Officer will establish robust levels of internal controls, ensure segregation of duties are in place and that key treasury processes, tasks are adequate and operate effectively. Operational risk will be managed by the following actions:

a. managing the appropriate controls to minimise the potential for financial loss through human error, fraud or the inappropriate use of cash resources;
b. managing clearly defined responsibilities and authorities of staff involved with the University's financial transactions;
c. maintain efficient cash management processes, forecasts and reporting; and
d. transacting solely in the approved financial instruments set out in the Treasury Management procedure.

Operations in other jurisdictions

(20) Where any aspect of this Policy requires adaption to address local legislative requirements in the jurisdictions in which the University operates, these must be approved by the Chief Financial Officer consistent with the purpose and principles of this Policy.

Implementation, review and reporting

(21) The Chief Financial Officer is responsible for:

a. leading the promulgation and implementation of this Policy across the University
b. reviewing the effectiveness of this Policy in accordance with the University's Policy Framework
c. reporting annually, or as required, to University Council via the Finance and Business Affairs Committee on the University's treasury activities and particularly actions to achieve the purposes set out at clauses 3-5.

(22) Roles, responsibilities, delegations and authorities in relation to treasury transactions are set out in the Treasury Management procedure.

Compliance and monitoring

(23) Deakin Finance, under the direction of the Chief Financial Officer, will regularly monitor compliance with this Policy.

(24) Staff who breach this Policy may face disciplinary action in accordance with the Staff Discipline procedure.

(25) The Chief Financial Officer must be immediately notified of any breach of this Policy. The Chief Financial Officer will:

a. recommend actions to address and correct the breach for consideration and, if appropriate, approval by the Deputy Vice-Chancellor, University Services; and
b. report the breach and corrective actions to the Finance and Business Affairs Committee and the Audit and Risk Committee.

Section 5 - Procedure

(26) The Treasury Management procedure documents how to comply with this Policy. Any breach of the Treasury Management procedure is deemed a breach of this Policy.

Section 6 - Definitions

(27) For the purpose of this Policy:

a. borrowing(s): the aggregate outstanding principal of any financial indebtedness of the University, together with capitalised interest, outstanding at any such time.
b. cross-currency interest rate swap: is a derivative in a form of an agreement between two parties to exchange interest payments and principal denominated in two different currencies. In a cross-currency swap, interest payments and principal in one currency are exchanged for principal and interest payments in a different currency.
c. foreign exchange risk: the risk of sustaining a loss due to movements in exchange rates. Such risks may occur through an increase in the Australian Dollar value of foreign currency liabilities/expenditure or a decrease in the Australian Dollar value of foreign currency assets/income.
d. forward exchange contracts: is an arrangement that allows you to transfer money at some time (up to 12 months) in the future at an exchange rate that you agree to now, so that you know what the exchange rate will be at the time the transaction takes place.
e. hedging: is a risk reduction technique entered into by the University with the aim of offsetting the risk of adverse fair value or cash flow movements against financial instruments.
f. interest rate risk: the risk of a reduction in earnings, capital or cash flows because of movements in interest rates.
g. liquidity risk: the risk of sustaining loss due to having insufficient liquidity to meet future commitments as and when they fall due.
h. operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Status and Details

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Expiry Date	To Be Advised
Responsible Executive	Kerrie Parker Deputy Vice-Chancellor, University Services dvc-us@deakin.edu.au
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