TREASURY MANAGEMENT POLICY 2024

The Senate Finance and Audit Committee, as delegate of the Senate of the University of Sydney, adopts the following policy.

Dated: 7 August 2024

Last amended:

Name: Karen Moses, Chair Senate Finance and Audit Committee

CONTENTS

1 Name of policy

This is the Treasury Management Policy 2024.

2 Commencement

This policy commences on 7 August 2024.

3 Policy is binding

Unless expressly stated, this policy binds the University, staff, students and affiliates.

4 Statement of intent

This policy states requirements for managing the University's financial risk.

5 Application

(1) This policy applies to all staff and affiliates.

(2) This policy applies to the following areas of financial risk:

- (a) liquidity and funding risk;
- (b) interest rate risk;
- (c) foreign exchange risk;
- (d) counterparty credit exposure risk; and
- (e) operational risk.

(3) Unless expressly stated, this policy does not apply to managing the University's investment funds. These funds are governed by the *Investment Policy* .

6 Definitions

affiliate	has the meaning given in the *Staff and Affiliates Code of Conduct*, This is: means a person appointed or engaged by the University to perform duties or functions on its behalf, including but not limited to: • an honorary title holder engaged under the *Honorary Titles Policy*; • a consultant or contractor to the University; and • an office holder in a University entity, a member of any University committee, board or Foundation. An affiliate is not an employee of the University.
Asset and Liability Committee (ALCO)	the committee of that name, which reports to the Senate Finance and Audit Committee. Its terms of reference are set out in Schedule 1.
CFO	Chief Financial Officer.
counterparty credit risk	the risk that the University may suffer a loss from a default by a counterparty to a transaction. Counterparties may include banks with whom the University has entered into hedging transactions.
FCT	the Financial Control and Treasury unit.

foreign exchange transaction risk	the risk that the University may suffer a loss from movements in exchange rates.
Future Fund	means the fund, established by the University, constituted by: • gifts or bequests made to the University which are its absolute property, or the proceeds of such gifts or bequests, the corpus of which the University has determined should be preserved with the intention that the income be applied to support the University's operating costs; and • any other moneys contributed to the fund by the University.
hedging	making an investment or entering a transaction to offset the risk of adverse price movements in an asset.
interest rate risk	the risk that the University may suffer a loss from movements in interest rates affecting earnings, capital or cash flows.
liquidity risk	the risk that the University may suffer a loss from not having enough liquidity to meet future commitments.
maturity	• for a debt, the final date for repayment; or • for a debt facility, the facility termination date.
MMRL	Management Minimum Required Liquidity. This is the target amount of available cash for a given forecast period. It is based on the minimum amount needed to manage financial and operational risks.
procedures	the Treasury Management Procedures.
treasury operational risk	the risk that the University may suffer a loss from: • internal process or system failures; • human error; or • external events.
treasury management	managing the University's collections, disbursements, liquidity and funding to eliminate or mitigate risks.

7 Objectives for managing financial risk

(1) The operating objectives for managing financial risks are as follows.

(2) **Liquidity and funding risk objectives**

(a) Maintain access to enough cash resources and facilities to meet financial obligations as they fall due.

(b) Maintain sufficient liquidity to meet financial obligations if unforeseen events occur.

(c) Comply with borrowing facilities' covenants and undertakings.

(d) Adopt reliable liquidity management planning and procedures, to support effective and efficient use of credit facilities.

(e) Structure the debt maturity profile appropriately, considering:

(i) infrastructure and working capital funding requirements;

(ii) asset and liability matching; and

(iii) refinancing risks.

(f) Maintain access to diverse funding sources through an appropriate mix of debt.

(g) Maintain the Future Fund for the primary purpose of providing an equity reserve capable of satisfying the University's obligations to financiers and employees, while sustaining, and providing for the restructure of, the University in the event of a financial shock.

(h) Apply a consistent methodology to estimate the net present value of investment proposals, other than those made in respect of the Future Fund and medium term and long term funds which are governed by the Future Fund Mandate and *Investment Policy* respectively.

(3) **Interest rate risk objectives**

(a) Avoid large variations in earnings, capital or cash flow.

(b) Maintain flexibility to accommodate potential changes in funding requirements.

(c) Manage fixed and floating interest rate exposures on assets and liabilities in accordance with this policy.

(4) **Foreign exchange transaction risk objectives**

(a) Minimise large variations in earnings, capital or cash flow from exchange rate movements.

(b) Promptly and properly identify foreign currency exposures.

(5) **Counterparty credit risk objectives**

(a) Verify the creditworthiness of counterparties to financial transactions.

(b) Keep counterparty exposures within approved limits.

(6) **Treasury operational risk objectives**

(a) Use appropriate controls to minimise the potential for financial loss through:

(i) human error;

(ii) fraud; or

(iii) the inappropriate use of financial instruments.

(b) Clearly define the roles, responsibilities and authorities of staff involved in financial transactions.

(c) Establish and maintain effective controls for key treasury process tasks.

(d) Comply with audit, contractual and statutory requirements.

THE UNIVERSITY OF SYDNEY

8 Managing liquidity and funding risk

(1) **The MMRL**

(a) The CFO must establish the MMRL threshold annually. Relevant considerations include:

(i) forecast cash flows;

(ii) the University's overall financial position;

(iii) relevant external factors in the higher education sector;

(iv) relevant external factors in financial markets; and

(v) factors specified in this clause.

(b) The MMRL must support:

(i) potential variance between actual net cash flow and forecast net cashflow;

(ii) event risk; and

(iii) borrowings maturing within the next 12 months which are not expected to be refinanced.

(c) The MMRL must be:

(i) at least A$200M; and

(ii) indexed annually.

(d) The University must maintain readily available liquidity of at least MMRL for each of:

(i) the last management quarterly reporting date;

(ii) the current year; and

(iii) two forecast years.

(e) Treasury is responsible for maintaining liquidity at required levels.

(2) **The Future Fund**

(a) The minimum value for the Future Fund will be that which is necessary to meet the University's obligations to stakeholders while navigating a financial shock specified consistent with the University and Senate's tolerance for risk.

(b) The Senate Finance and Audit Committee must approve a Future Fund mandate that outlines the rules to be followed in respect of:

(i) investment management of the Future Fund;

(ii) arrangements for the payment of dividends to the University; and

(iii) the preservation of Future Fund funds.

(c) The Future Fund funds must be operated in accordance with the Future Fund mandate.

(3) **Liquidity risk**

(a) The CFO will develop and maintain plans to mitigate the University's primary risks associated with cash flows and liquidity which will be consistent with the Senate-approved risk tolerance.

(b) Potential adverse impacts include:

(i) unplanned reduction in revenue;

(ii) unplanned operating expenditure;

(iii) business disruption;

(iv) unplanned capital expenditure;

(v) sustained reduction in operating margin;

(vi) collapse of capital markets;

(vii) collapse of the banking sector;

(viii) balance sheet volatility;

(ix) increase in University and sector risk profile.

(c) The liquidity surplus must be set consistently with the requirements of this clause and the procedures.

(4) **Funding risk**

(a) Debt maturities must be spread out to limit risk on debt rollover.

(i) New facilities must have an adequate spread of maturities, considering the University's debt funding requirements.

(b) Where practical, the University will use diverse funding sources. Funding sources may include banks and capital markets.

(c) Arrangements for refinancing debts over A$50 million must be completed at least 6 months before the scheduled maturity date.

(d) Debt funding must be managed consistently with:

(i) any debt principles approved by Senate; and

(ii) any other financial parameters, limits and internal credit metrics set by relevant delegates.

(5) **Net present value methodology**

(a) Capital investment proposals, other than those made in respect to the Future Fund, medium term fund and long term fund, should be assessed using net present value analysis including discount rates set by the CFO.

9 Managing interest rate risk

(1) ALCO is responsible for :

(a) approving interest rate risk management strategies;

(b) approving methods for implementing those strategies; and

(c) monitoring the positions taken.

(2) Financial Control and Treasury (FCT) must manage the University's interest rate risk consistently with the level of exposure set under subclause 9(3).

(3) Financial Control and Treasury (FCT) must maintain the appropriate level of fixed and floating rate exposure set by ALCO.

Period	Minimum fixed rate exposure	Maximum fixed rate exposure
< 3 years	50%	100%
> 3 years	0%	100%

10 Managing foreign exchange risk

(1) Where appropriate, the University will hedge the variability in cash flows associated with changes in exchange rates.

(2) The University will settle committed foreign currency operational cash flows using foreign currencies from natural inflows received into its foreign currency bank accounts.

(a) Financial Control and Treasury (FCT) is responsible for monitoring these inflows and purchasing additional foreign currency as required.

(3) Except in circumstances where clause 10(2) applies, committed foreign currency exposures over A$200,000 should be:

(a) hedged 100%;

(b) with foreign exchange contracts; and

(c) to the expected date(s) of settlement.

(4) Any University organisational unit which enters into a foreign currency transaction must notify FCT immediately.

11 Managing counterparty credit risk

(1) ALCO is responsible for approving counterparty exposure limits.

(a) ALCO must report approved limits to the Senate Finance and Audit Committee.

(b) Counterparty limits must be based on the Standard & Poor’s counterparty credit rating.

(2) The University will only deal with counterparties with an investment grade long term credit rating.

(3) FCT is responsible for monitoring counterparty exposures and reporting them to ALCO for regular review against approved limits.

12 Roles and responsibilities

(1) **The Senate Finance and Audit Committee** is responsible for approving a Future Fund mandate.

(2) **The Asset and Liability Committee (ALCO)**

(a) The primary role of ALCO is to monitor and manage balance sheet financial risk. It is accountable for managing the cost of the borrowing program.

(b) ALCO’s Terms of Reference are set out in Schedule 1.

(3) **The Chief Financial Officer (CFO)** is responsible for managing treasury, investment and capital management activities. These include:

(a) reviewing and recommending amendments to this policy;

(b) planning how to manage unforeseen events which may curtail cash flows and cause pressure on liquidity;

(c) monitoring and reviewing liquidity management, and making appropriate recommendations;

(d) establishing and maintaining:

(i) treasury operational processes;

(ii) internal compliance systems and controls; and

(iii) setting the methodology for net present value analysis including discount rates for capital investment.

(e) obtaining necessary internal and external approvals for transactions and arrangements for managing financial risk;

(f) approving financial instrument types and techniques for managing financial exposures;

(g) approving borrowing facilities;

(4) **Financial Control and Treasury (FCT)** is responsible for control of treasury activities. These include:

(a) overseeing implementation of policy and procedures;

(b) maintaining accurate records of treasury activities;

(c) preparing required internal reports;

(d) managing short term operating funds;

(e) developing asset management strategies;

(f) reporting to the CFO immediately about any breach of this policy and any corrective action taken;

(g) preparing an annual cashflow statement;

(h) developing risk management plans;

(i) managing relationships with financial institutions and rating agencies;

(j) monitoring and reporting counterparty credit limit usage;

(k) preparing financier briefings and reports; and

(l) providing secretarial and committee support to ALCO.

(5) **Investment and Capital Management (ICM)** is responsible for:

(a) managing investment funds, including medium term and long term funds; and

(b) establishing and reporting on investment performance benchmarks.

Note: See *Investment Policy* and *Investment Procedures*.

(6) **Organisational units** (e.g. a faculty, University school, administrative unit) are responsible for:

(a) providing accurate cash flow forecasting to FCT;

(b) notifying FCT promptly of material variations to forecasts;

(c) maintaining accurate cash flow records;

(d) notifying FCT immediately of identifying foreign currency transactions and other risk exposures; and

(e) obtaining recommendations from FCT about risk exposures where appropriate.

13 Breaches

(1) Any breaches of this policy must be reported immediately to the CFO. The CFO will decide what corrective action is to be taken.

(2) The CFO must report breaches to Senate Finance and Audit Committee at its next meeting. The report must include the reasons for the breach, and any corrective action taken.

14 Reporting

(1) FCT will provide reports to ALCO about the University's:

(a) liquidity profile;

(b) interest rate profile;

(c) foreign exchange transaction risk profile;

(d) counterparty credit risk profile; and

(e) operational risk profile;

(2) The reports must provide the information specified in the procedures.

(3) ALCO must provide quarterly Treasury Reports to the Senate Finance and Audit Committee, consistently with its Terms of Reference.

15 Recordkeeping

(1) Appropriate records of all transactions and decisions must be kept, consistently with the *Recordkeeping Policy*.

(2) FCT is responsible for providing secretarial support to ALCO. This includes minutes and records of decisions.

16 Rescissions and replacements

This document replaces the *Treasury Management Policy 2018*, which is rescinded as from the date of commencement of this document.

NOTES

Treasury Management Policy 2024

Date adopted:	7 August 2024
Date commenced:	7 August 2024
Date amended:	
Owner:	Chief Financial Officer
Review date:	7 August 2029
Rescinded documents:	Treasury Management Policy 2018
Related documents:	The University of Sydney Act (as amended)
	Staff and Affiliates Code of Conduct
	Honorary Titles Policy
	Investment Policy
	Investment Procedures
	Treasury Management Procedures

AMENDMENT HISTORY

Provision	Amendment	Commencing

THE UNIVERSITY OF SYDNEY

SCHEDULE 1 – ASSET AND LIABILITY COMMITTEE (ALCO) TERMS OF REFERENCE

Purpose

The primary role of ALCO is to monitor and manage balance sheet financial risk. It is accountable for managing the cost of the borrowing program.

ALCO reports to, and supports, the Senate Finance and Audit Committee in fulfilling its governance role.

Key areas of oversight include:

- Effective management of the University's balance sheet risk. This includes financial, capital management, and liquidity risks.
- Monitoring liabilities, including borrowing risks.
- Monitoring other significant issues related to asset or liability risk.

Specific Duties and Responsibilities

(1) Monitor current areas of greatest financial and capital management risk, and their management. This includes overseeing:

  (a) reporting protocols;

  (b) support systems;

  (c) organisational accountabilities;

  (d) auditing; and

  (e) review processes.

(2) Satisfy itself that there are effective systems for monitoring financial and capital management risks.

(3) Satisfy itself that management control systems are prudent and appropriate.

(4) Report to the Senate Finance and Audit Committee on any balance sheet matters that it believes might have significant impact on the University's:

  (a) financial condition;

  (b) reputation; or

  (c) affairs generally.

(5) Review and monitor the risks of any borrowing program. This includes recommending appropriate strategies to manage:

  (a) interest rate risk;

  (b) foreign exchange risk;

  (c) refinancing risk;

  (d) operational risks that may be related to debt covenants.

(6) Oversee the strategic use of the University's assets and liabilities. This includes allocation of capital funding and prioritisation of projects.

(7) Approve counterparty exposure limits.

(8) Report to Senate Finance and Audit Committee on request, and as required by University policy.

Membership

Chief Financial Officer (Chair)
Chief Investment Officer
Director, Financial Control and Treasury
Treasurer

Manager, Treasury and Investments
External Adviser

Quorum

At any meeting of the Committee any four members, including either the Chief Financial Officer or the Chief Investment Officer, will constitute a quorum.

Meetings

(1) The Committee will meet quarterly, or more frequently if necessary.

(2) A meeting may be held at two or more venues simultaneously using any technology that gives members a reasonable opportunity to participate.

Reporting to Senate Finance and Audit Committee

(1) ALCO will provide a quarterly treasury report to Senate Finance and Audit Committee. This will which include information about:

  (a) liquidity management;

  (b) funding risk

  (c) interest rate risk;

  (d) foreign exchange risk and

  (e) counterparty credit risk.

(2) ALCO will provide other reports to the Senate Finance and Audit Committee as requested.

Secretary to the Committee

Treasurer