UC Policy Library

Treasury Management Framework

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Approval Authority	University Council
Contact Officer	Executive Director, Planning Finance & Digital Services

Introduction

To promote prudent, effective and efficient financial management, a number of basic principles must be followed. These principles are contained in a number of related documents.

These documents are

- A long-term financial strategy (the University's 10-year planning model),
- Strategic and operational plans including the Strategy 2020-2030 and Major Investment Plan (MIP), and
- The Treasury Management Framework (TMF) (this document).

These documents are underpinned by specific policies and procedures in relation to financial transactions (see *Related Documents and Information*).

This framework includes approved policy positions in respect of all associated treasury activity.

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1. Purpose

The purpose of the Treasury Management Framework (TMF) is to establish a robust framework for managing the financial risks associated with:

- liquidity (cash flow management),
- funding and investment,
- counterparty credit exposure,
- foreign exchange,
- interest rate,
- and other financial markets risks of the University of Canterbury ("the University").

It **does not** address the financial risks of the University of Canterbury Foundation (UCF), nor those of the University of Canterbury Trust Funds (UCTF), which have their own financial management documents. The financial investments and cash resources of the UCF and

UCTF are not readily available to the University for any general purpose but are kept separate. Both the UCF and UCTF operate independently of the University's TMF.

As circumstances change, the risk limits and operating parameters outlined in this policy will be formally reviewed and approved to ensure that the financial risks within the University continue to be prudently managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- The TMF document remains focused on policy with procedural content maintained in The separate University Treasury Procedures Manual;
- Industry "standard practices" for a Tertiary Education Institution of the University's size;
- The risk bearing ability and tolerance levels of the underlying operations and stakeholder requirements; and
- The effectiveness, efficiency, and efficacy of Financial Services to recognise, measure, control, manage and report on the University's financial exposure to liquidity risk (cash flow management), interest rate risk, funding risk, counterparty credit risk, foreign exchange risk, operational risk and other associated financial risks.

All staff involved in financial risk management, as set out in this policy, must be completely familiar with their responsibilities under the TMF at all times. Where external advisors are used in relation to any treasury-related work, they must be made aware of the TMF.

Adherence to this document is mandatory for all University personnel and any third-party service providers.

2. Governance and Compliance

2.1 Treasury Responsibilities

The management structure diagram (see *Appendix A*) describes the hierarchy of reporting and the responsibilities of different individuals and entities within the Treasury structure (the Treasury function is identified in red on the diagram).

The key responsibilities of the positions in the Treasury organisational structure are as follows:

a. University Council

The University Council ("Council") is responsible for approving the TMF as well as approving any changes that are required from time to time. The authority to make or change any part of the TMF cannot be delegated.

Council has specific responsibility under section *281(e) Education and Training Act 2020 (New Zealand Legislation website)* to ensure that the University acts in a financially responsible manner that ensures efficient use of resources and maintains the University's long-term viability.

In practice, Council delegates the implementation of this responsibility to the Vice-Chancellor, while retaining oversight through relevant, regular reporting by the Vice-Chancellor and the Senior Leadership Team to Council and the Audit and Risk Committee (“ARC”).

b. Vice-Chancellor

Whilst Council has final responsibility for the policy governing the management of the University’s financial market risks, it is the Vice-Chancellor who effectively has overall responsibility through the delegation from Council.

Specific responsibilities include:

- delegating authority to the Executive Director of Planning, Finance and Digital Services (EDPFDS) in accordance with the Delegation Schedule,
- recommending a TMF policy strategy to the Council, and
- approving all foreign exchange and interest rate risk management transactions in accordance with policy parameters outside of the EDPFDS delegated authority.

c. Executive Director of Planning, Finance and ITS

The Vice-Chancellor directly delegates to the EDPFDS overall responsibility for the day-to-day management of the Treasury function. The EDPFDS proposes detailed management directives in accordance with policy and ensures compliance with policy. Specific responsibilities include:

- Delegation of responsibilities for authorisation of transactions within prescribed delegation limits appropriate to the seniority of the individual and the tasks involved. Individual transactions or risk positions outside the TMF control limits are required to be submitted for “one up” approval (via the Vice-Chancellor to Council) before they occur or have been entered into.
- Reporting to the Vice-Chancellor, Council and relevant Council committees on a timely basis, and advising on significant market events that may impact on the University.
- Reviewing, recommending change to the Vice-Chancellor and Council, implementing and monitoring the financial risk management strategies to protect the University’s exposures to the financial markets within the approved policy limits and controls.
- Ensuring that foreign exchange, interest rate, funding, liquidity, counterparty credit and cash management procedures or policies are implemented, controlled and reported on in accordance with this policy.
- Ensuring that all banking and reporting requirements are met and reporting to Council (via the Vice-Chancellor) where they are not met, or will not be met in a future period.
- Opening and closing bank accounts as provided in the University’s Delegation Schedule.
- Maintaining the relationship and monitoring the performance of the external advisors and treasury outsourcing service providers in accordance with established contracts.

In practice, the detailed transactions and procedures will be initiated by the Financial Controller and the Financial Services team under the Director of Finance within strict delegation limits and with due regard for segregation of duties. The activities of the Financial Services team will be subject to regular (monthly) reporting to the EDPFDS and to Council and its sub-committees.

d. External Advisor and/or Outsourcing Service Provider

Where the University chooses to use the services of external advisors and/or a Treasury outsourcing service provider, their responsibilities may include responsibilities currently assigned to the position titles above providing these delegations are explicit in a formal written agreement.

The external advisor is **not** permitted

- to enter into any Treasury transaction of any type with any counterparty on behalf of the University, nor
- accept transactions entered into with unauthorised counterparties outside of existing delegations.

3. Compliance Risk

As the University is partially publicly funded and accountable, it must maintain its financial resources within a robust financial framework which ensures compliance with the relevant legislation and restrictions. This is achieved through the management of its surplus cash flow to maximise returns whilst minimising risk in accordance with relevant legislation and restrictions.

The University is required to comply with the following relevant legislation:

- *Crown Entities Act 2004 (New Zealand Legislation website);*
- *Education and Training Act 2020 (New Zealand Legislation website)*; and
- *Public Finance Act 1989 (New Zealand Legislation website)*.

Generally, the University can only invest in relatively risk free investments, being the same sort of investments permitted to the Treasury under section 65I of the *Public Finance Act 1989 (New Zealand Legislation website)* (see *Appendix B* for full text).

The *Tertiary Education Commission (Tertiary Education Commission website)* ("TEC") provides specific guidance and protocols on investment by Tertiary Education Institutions.

4. Risk Evaluation and Management

4.1 Risk Recognition

The University faces several treasury management risks:

- price risk,
- foreign exchange risk,
- cash flow interest rate risk,
- fair value interest rate risk,
- credit risk, and
- liquidity risk.

4.2 Main Principles of Risk Management

The University's primary financial management objective is to maintain adequate liquidity to meet its financial obligations as they fall due.

The University must meet its legislative responsibilities to act in a financially responsible manner that ensures efficient use of resources and maintains the University's long-term viability.

All financial instrument risk management in this section is to be performed by Financial Services. Heads of Department/School must contact the EDPFDS or the Director of Finance where there is a significant foreign exchange or derivative component in a transaction.

Transactions of a speculative nature are not permitted.

4.3. Specific Financial Instrument Risk Management

a. Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The equity investments that are held by the University are reflected within the financial statements either at cost, less impairment, or at fair value. The University considers that there is limited price risk since financial asset instruments largely consist of bank current and short-term deposits, with minimal investment in equity instruments.

b. Foreign Exchange Risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The University is exposed to foreign exchange rate risk mainly on the purchase of educational materials, including publications and equipment, from abroad. The timing of these purchases is well-documented and hedging through corresponding forward exchange contracts is arranged.

The University does receive some funding of research in foreign currency (mostly US Dollars and Euros). Foreign currency bank accounts are maintained to manage this relatively small funding component, and conversion to New Zealand dollars made when required, and with reference to the exchange rate to optimise exchange gains.

The University considers that there is limited foreign exchange risk because purchase cash flows in foreign currency can be hedged with a significant degree of certainty of timing, and there is minimal revenue generated in foreign currency.

i. Risk Management – Forward Exchange Contracts

Generally, the University has committed exposure to foreign exchange risk, where a contract has been entered into or a purchase order approved. The risk should be assessed against the foreign currency cost for a purchase or project as a whole, not on individual progress or stage payments.

Forward exchange contracts are to be entered into as follows:

Committed Exposure ($NZ)	**Forward Exchange Contract Requirement**
Contract or purchase order less than $100,000.	Forward exchange contract MAY be entered into to hedge risk. Authorised by the Financial Controller.
Contract or purchase order more than $100,000 / less than $1,500,000.	Forward exchange contract MUST be entered into to hedge risk. At least two quotes from approved banking counterparties must be obtained. Authorised by Director of Finance.
Contract or purchase order more than $1,500,000 / less than $3,000,000	Forward exchange contract MUST be entered into to hedge risk. At least two quotes from approved banking counterparties must be obtained. Authorised by EDPFDS.
Contract or purchase order more than $3,000,000.	Forward exchange contract MUST be entered into to hedge risk. At least two quotes from approved banking counterparties must be obtained.

Committed Exposure ($NZ)	Forward Exchange Contract Requirement
	Authorised by Vice-Chancellor.

Sometimes a contract or purchase may not be finally agreed, but the likelihood of completion will be high. Where this involves foreign currency purchases or revenue, the University may wish to commit to a forward exchange contract for the expected exposure.

The same forward exchange contract requirement would then apply to these expected exposures as for committed exposures, as per the table above.

ii. Approved List of Foreign Exchange Instruments

Foreign currency exposures may be hedged by use of:

- spot purchased foreign currency held in a foreign currency account with an approved banking counterparty,
- non-complex forward foreign currency exchange contracts entered into with an approved banking counterparty,
- supplier guaranteed $NZ purchase price,
- foreign currency accounts, and
- currency swaps.

No other instruments are to be utilised to hedge foreign exchange risk.

All foreign currency trades must be executed with banks on the approved counterparty list (*Appendix C*).

c. Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. This affects the University's cost of borrowing (increasing interest rates) and the return on its investments (decreasing interest rates).

i. Borrowing

The University currently has no bank or other institutional borrowing in place, except for the Sonoda Gakuen Corporation loan ($1.6 million principal, established 1992 for 50 years at 3%).

ii. Approved List of Interest Rate Instruments

- Interest rate swaps ("fixed to floating" and "floating to fixed").
- Forward start interest rate swaps.
- Forward rate agreement.

Forward start interest rate swaps may be entered into, but the start date must be within two years forward.

All interest rate swap contracts that exchange floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges for financial reporting.

iii. Investments

The majority of the University's investments are in bank deposit and short-term investments. The University makes regular investments of surplus cash to meet its forecast cash requirements, aiming to have cash maturing from investments in time to meet its cash flow requirements.

These investment decisions are made daily, generally with small parcels of cash, with those banks offering the best rate for the expected period of investment, at fixed rates, and within the limits placed by this framework on the allocation of investment to individual banks.

The University does not consider there is any significant cash flow interest rate risk in relation to its bank deposits and short-term investments.

There is no cash flow interest rate risk in relation to its equity investments.

d. Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Financial instruments which potentially subject the University to concentrations of interest rate risk consist principally of cash and cash equivalents, loans and leases.

Although overall interest rate risk has been reduced due to the utilisation of fixed interest rates for both borrowing and investment in deposits, this does expose the University to a degree of 'fair value interest rate risk' should market conditions move significantly in an adverse direction.

However, due to the regular investment in and maturing of its deposits at fixed rates, which act to mitigate the impact of any change in market conditions, the University does not consider there is any significant fair value interest rate risk in relation to its bank deposits and short-term investments.

e. Credit Risk

Credit risk is the risk that a third party will default on its obligations to the University, causing it to incur a loss.

The University is subject to an element of credit risk principally within receivables, cash and cash equivalents, and term deposits.

i. Cash, Cash Equivalents and Term Deposits

Credit risk in relation to cash, cash equivalents and term deposits is managed by diversification through placements with a number of different New Zealand financial institutions, with assessed S & P and/or Moody ratings (see table in *Appendix C*). Credit exposure is further reduced by monitoring individual weightings.

If the rating of any borrower represented in the portfolio is downgraded such that the new rating falls outside the above guidelines, or if any borrower represented in the portfolio is placed on a negative credit watch, this will be reported to Council with a report on any resultant action taken by the respective individual/s.

Exposure is measured as follows:

- total amounts invested with that counterparty plus accrued interest to date;
- the greater of the face value or the mark to market value of loans and bonds; and
- the total face value of any derivative transactions.

Exposure to any other counterparties outside of Registered New Zealand Banks requires the approval of Council.

ii. Receivables

Due to the large number of individual trade debtors, the concentration of credit risk with respect to receivables is greatly reduced, and there is active management of outstanding debtors. No further management is considered necessary.

There is some exposure to a small group of insurance companies, which have sound credit ratings.

No further management is considered necessary.

f. Liquidity Risk

Liquidity risk is the risk that the University will encounter difficulty raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The University has a programme of regular investment and disinvestment in short term deposits that meet its short and medium-term cash flow and liquidity requirements.

The University prepares detailed cash flow forecasts covering the short, medium and long term (up to 10 years) based on expected student enrolment, staffing requirements, and capital expenditure plans to identify cash requirements. This in turn informs the University's engagement with TEC and the Minister over additional funding, and any discussions with banks.

The University has to operate within a strict legislative framework, where a Council decision on any borrowing requires the written consent of the Secretary of Education (see *section 6* below).

Monthly reports outlining the current and forecast cash position, including spending plans and likely revenue scenarios, are prepared for review by Council and its sub-committees. The University considers this is adequate to mitigate the risk that sufficient funds will not be available to meet its debts as they fall due in the short and medium term, while any longer term cash deficits are identified and action taken to fund them.

5. Borrowing

This section addresses

- funding and governance,
- finance leases,
- borrowing, and
- covenant management.

The risks in relation to borrowing are discussed in *section 5.*

5.1 Funding and Governance

The Council must review and approve all new loans and borrowing facilities, including the refinancing of existing lending facilities.

Under section *282(4)(d)* of the *Education and Training Act 2020 (New Zealand Legislation website)*, the University is required to obtain written approval from the Secretary of the Ministry of Education to borrow funds. Therefore, any future borrowing requirements must be identified well in advance of the date they will be required to allow for the approval process.

The University prepares regular monthly financial reports and medium to long term cash flow forecasts (see above) that enable it to identify its borrowing requirements.

5.2 Finance Leases

Finance leases are a tool that allows the University to accumulate debt-like obligations with an embedded interest cost. Accordingly, the University may be able to obtain a cheaper source of funds through its banking relationships. All proposed finance lease arrangements must include a 'lease or buy' assessment prior to any contract being approved.

As a form of borrowing, finance leases must be within the relevant Ministerial determination (see below) and approved by the Council or, if outside the borrowing consent, requires the consent of the Secretary of Education through the TEC. For further information and the full requirements refer to *Finance lease information (Tertiary Education Commission website)*.

5.3 External Financing

a. New Borrowing

Any new borrowing must follow TEC guidance.

In some cases, the Ministerial determination allows TEIs to borrow up to a specified limit without the approval of the Secretary for Education.

Tier one: exempt low-value borrowing

All TEIs are allowed to borrow up to 2% of the TEI group's consolidated total revenue without the Secretary's consent from the date of the determination.

Tier two: exempt medium-value borrowing

TEIs are allowed to borrow up to $50 million or 10% of the TEI group's consolidated total revenue, whichever is less, without the Secretary's consent provided specified entrance criteria are met. For qualifying TEIs, this entitlement is reduced by the amount of existing borrowings, unused borrowing facilities, the unused portion of borrowing approvals and the unused tier one entitlement not represented in unused portions of existing borrowing facilities.

There are specific, risk-based entrance criteria for Tier 2 borrowing entitlements that must also be satisfied.

Further information is available from the determination's Gazette notice and in the TEC Guidelines:

- Gazette notice: *Ministerial determination on exempt borrowing (gazette.govt.nz).*
- *TEC guidance to TEIs on exempt borrowing (Tertiary Education Commission How TEI's Can Borrow Funds website)*

Any borrowing outside of this determination will require the following steps to be completed as follows - internally:

- funding need identified in the cash flow forecasts;
- business case developed by the Vice-Chancellor and EDPFDS;
- business case approved by Council.

Externally:

- Council approval of business case (as above).

- A specific business case submitted to the TEC, Ministry of Education, and the Minister.
- Approval by the Secretary for Education. For further information and the full requirements refer to *How TEIs can Borrow Funds (Tertiary Education Commission website)*.
- Negotiation with banks or the Crown, depending on approved funding sources.

b. Renegotiation

Once borrowing is in place, renegotiations of any new debt or facility should commence 12 months prior to the maturity date of the existing facility. This renegotiation should follow *the* University's *Procurement Policy (PDF, 194KB)* and procedures, with reference to the terms of the relevant consents received from the Secretary for Education.

5.4 Covenant Management

Any covenants in place should be monitored and reported as part of monthly reporting to the Senior Leadership Team and Council.

The monitoring is performed for the current and short, medium and long-term forecast positions.

Current covenants are included at *Appendix D*.

6. Investment

This section addresses liquidity objectives and investment restrictions.

The risks in relation to investments are discussed in *section 5.*

6.1 Liquidity Objectives

The University will maintain an appropriate level of liquidity to ensure that funds are readily available to cover the payment of its wages and salaries and operating expenses as they fall due.

At any point in time this level of liquidity must be maintained in cash reserves (or other liquid assets).

6.2 Investment Restrictions

a. Equity Investments

The University does not invest in equity markets.

The University's interest in companies is not primarily for monetary gain and the principal reason for entering into arrangements that result in companies/partnerships/joint ventures being generated is for educational purposes. As such, the University will allow investments in research entities and other entities which are in line with the University's principles and main purpose of its operation.

b. Investments in Public Securities

S *65I* of the *Public Finance Act 1989 (New Zealand Legislation website)* permits the University to invest money in public securities or in any other securities that the Minister for Education may approve. The Vice-Chancellor is permitted to invest funds only with organisations and subject to the limits set out in *Appendix C*.

c. Loans and Guarantees

The University may advance loans to other parties for various projects which are considered to be in the University's interest, and which must be for educational or research purposes, and where the primary purpose is not the making of monetary gains (either through income in the form of interest or capital gain)[1]. These funds may be advanced in the form of a loan, which may be secured or unsecured.

Any loan application must comply with the conditions under S *65I* of the *Public Finance Act 1989 (New Zealand Legislation website)*.

Reports on any loans should be sent to the EDPFDS on a regular basis, immediately following the monitoring reviews required or in the event of default or likely default. Any loans or guarantees must be approved by the Vice-Chancellor in line with the Delegations Schedule.

Any loans or investment whose primary objective is monetary gain and that are not allowed as of right under S *65I* of the *Public Finance Act 1989 (New Zealand Legislation website)* require Ministerial approval. All such applications must be made through the EDPFDS.

7. Cash Management

7.1 Cash Management Objectives

The University aims to create a liquidity buffer through accurate forecasting of daily cash flow requirements, such that surplus funds can be invested with the intent of increasing the interest earned or decreasing the cost of borrowed funds.

[1] TEC investment protocols: 'The primary reason for a transaction (determines) … whether the transaction is an investment. The … making of loans for "educational purposes" would **not** be considered an investment because their primary purpose is not the making of monetary gain…. Money put into entities carrying out education or research activities may be an "investment" if the primary purpose is to make a monetary gain from those activities.'

Cash management activities are undertaken within the following parameters:

- any cash flow surplus will be placed in bank call accounts, term deposits, or public securities;
- all short-term investment funds are to be invested by reference to, and so as to match, known cash requirements over the subsequent 3-6 months, or longer if available);
- long term investment funds can be invested with a maximum maturity of five years;
- the use of interest rate risk management on cash balances is permitted only with the specific approval of the Vice-Chancellor; and
- the requirement to meet Bank and any TEC covenants currently in place.

7.2 Investment of Surplus Funds

The investment powers of tertiary institutions are governed by s *65I (1)* and ss *(2)* of the *Public Finance Act 1989 (New Zealand Legislation website)* as set out in the Tertiary Education Institution Investment Protocols. These investments include

- deposits with a New Zealand registered bank, or any bank outside New Zealand approved by the Minister of Finance for that purpose,
- public securities, and
- such other securities as the Minister (i.e. the Treasurer) may from time to time approve for the purpose.

7.3 Foreign Currency Accounts

The University may operate foreign currency accounts in the following currencies:

- GBP
- USD
- EUR
- AUD
- RMB

Any additional foreign currency accounts required may only be established with the approval of the Vice-Chancellor.

These accounts are for the purpose of facilitating payments to overseas suppliers for goods and services, and payments for foreign denominated investments as required.

Payments or receipts in other currencies are to be converted using spot foreign currency transactions. These are not significant to the University's financial position.

8. Operational Risk

8.1. Risk Recognition and Definition

Operational risk is the risk that the University incurs losses as a result of people, systems, inadequate or failed internal processes or external events. This includes financial loss due to mismanagement, error, fraud or unauthorised use of financial products.

Effective operational risk management requires the development and implementation of a number of preventive and detective policies, procedures, controls and user guidelines. All treasury activities are carried out within the control framework described below. Compliance with these control policies is monitored by the ARC.

8.2. Controls

a. Approved Positions

All treasury activities must be performed in accordance with the policy positions that have been approved by Council and that are set out in this document.

b. Roles and Responsibilities

It is the responsibility of all staff performing critical functions for the operation of Treasury to ensure that there is a suitable staff back up arranged for that activity.

All staff involved are to receive adequate training to enable them to perform their responsibilities to a high standard. Staff are also to receive training to develop skills and knowledge appropriate to the Treasury environment.

c. Segregation of Duties

Duties within the Treasury function are segregated to ensure that no one individual can carry out key functions independently and without scrutiny. This requirement will be reflected in the design of key processes. Specifically, segregation of the following functions is required:

- Deal execution / funds transfer;
- Payment release and authorisation; and
- Deal confirmation, accounting and reconciliation of bank accounts.

d. Audit

Treasury will be subject to an internal audit on an agreed cycle with the EDPFDS, to verify compliance with policies and controls. The ARC is responsible for ensuring that the audit is performed. The EDPFDS will receive and act on the report of the Auditors.

e. Reporting

Management will report to the ARC on at least an annual basis with regard to

- the nature and outcome of any periodic internal and/or external audits undertaken to test compliance with operational controls, even if these reviews identified no shortcomings; and
- the nature and outcome of reviews undertaken to assess the suitability, effectiveness and efficiency of the operational control framework, even if these resulted in no identified shortcomings or recommendations for change.

f. Documentation

A full audit trail of documentation must be maintained in respect of each transaction. Staff are responsible for maintaining appropriate documentation in respect of their individual responsibilities and ensuring that they are always operating with the most up-to-date, valid information.

Staff are also responsible to ensure appropriate bank documentation is in place and reviewed.

9. Reporting and Performance Measurement

The monthly reports to the Vice-Chancellor and Senior Leadership Team and Council and relevant Council committees provide the following:

- **Cash flow management:** accurate cash flow forecasting over the period, including daily cash holdings for the month, forecast cash balances for the current and subsequent year, and commentary on interest receivable where there are significant variances to budget.
- **Financial results:** a monthly detailed statement of comprehensive revenue and expenses, statement of changes in net assets/equity, statement of financial position, and statement of cash flows. Each statement will show results for the year to date (actual, budget, and prior year to date), full year budget, and full year forecast. The statements are to be accompanied by a sufficiently detailed commentary to explain significant variance between actual, budget and forecast results.
- **Debt and liquidity profile:** current debt levels against budget and identification of any debt facility or balance that is due to mature in 12 months' time. The University's liquidity profile (levels of available funds).
- **Interest rate risk:** current profile of fixed and floating rates against policy, including the fixed rate maturity profile.
- **Covenants:** performance against any covenants in place (see *section 6.4* above) and forecast position at year end, and at the end of the following year.
- **EFTS:** levels of EFTS in comparison with prior year, current year budget and forecast, and following year forecast.
- **Compliance:** formal confirmation of compliance with borrowing requirements set out in *section 5* of this framework.

10. Framework Review

Regular reviews (scheduled and unscheduled, both internally and by an independent qualified third party) of the TMF should occur. Ideally, Council should see the TMF once a year as part of an internal unscheduled review, and a scheduled review should occur once every five years by an independent qualified third party. The framework is to undergo an unscheduled review if there is a major and fundamental change in the University's operations and financial risk profile.

The EDPFDS is responsible for preparing the review report, to be presented to the ARC. The report must include:

- recommendation as to changes, deletions and additions to the TMF, supported by appropriate analysis;
- overview of Treasury function in achieving the stated objectives;
- summary of breaches of policy and one-off approvals outside the TMF, to highlight areas of tension;
- analysis of bank service provision, share of financial instrument transactions;
- confirmation that an internal audit, where applicable, has been completed and comment on any significant findings of the internal audit; and
- any comments and recommendations from the University's external auditors on the risk management / treasury activities, and the University's response.

The ARC receives the review report, approves TMF changes and/or rejects recommendations for changes. This review must be performed in conjunction with an external treasury adviser at least once every five years.

Related Documents and Information

Legislation

- Crown Entities Act 2004 (New Zealand Legislation website)
- Education and Training Act 2020 (New Zealand Legislation website)
- Public Finance Act 1989 (New Zealand Legislation website)

UC Policy Library

- Conflict of Interest Policy, Principles and Guidelines (PDF, 425KB)
- Fraud Response Policy (PDF, 329KB)
- Procurement Policy (PDF, 176KB)
- Purchasing Card (P-card) Policy (PDF, 368KB)

- Risk Management and Compliance Framework (PDF, 580KB)
- Sensitive Expenditure Policy (PDF, 409KB) (Staff Only)
- Staff Code of Conduct (PDF, 481KB)
-

UC Website and Intranet

- Delegations of Authority Schedule (University of Canterbury Governance website)
- Financial Delegations (University Financial Delegations Sharepoint site) (Staff only)
- How to purchase goods, services or works (Staff only) (Staff only)

External

- How TEIs can borrow funds (Tertiary Education Commission website)
- How TEIs can enter into a finance lease (Tertiary Education Commission website)
- How TEIs may invest (Tertiary Education Commission website)

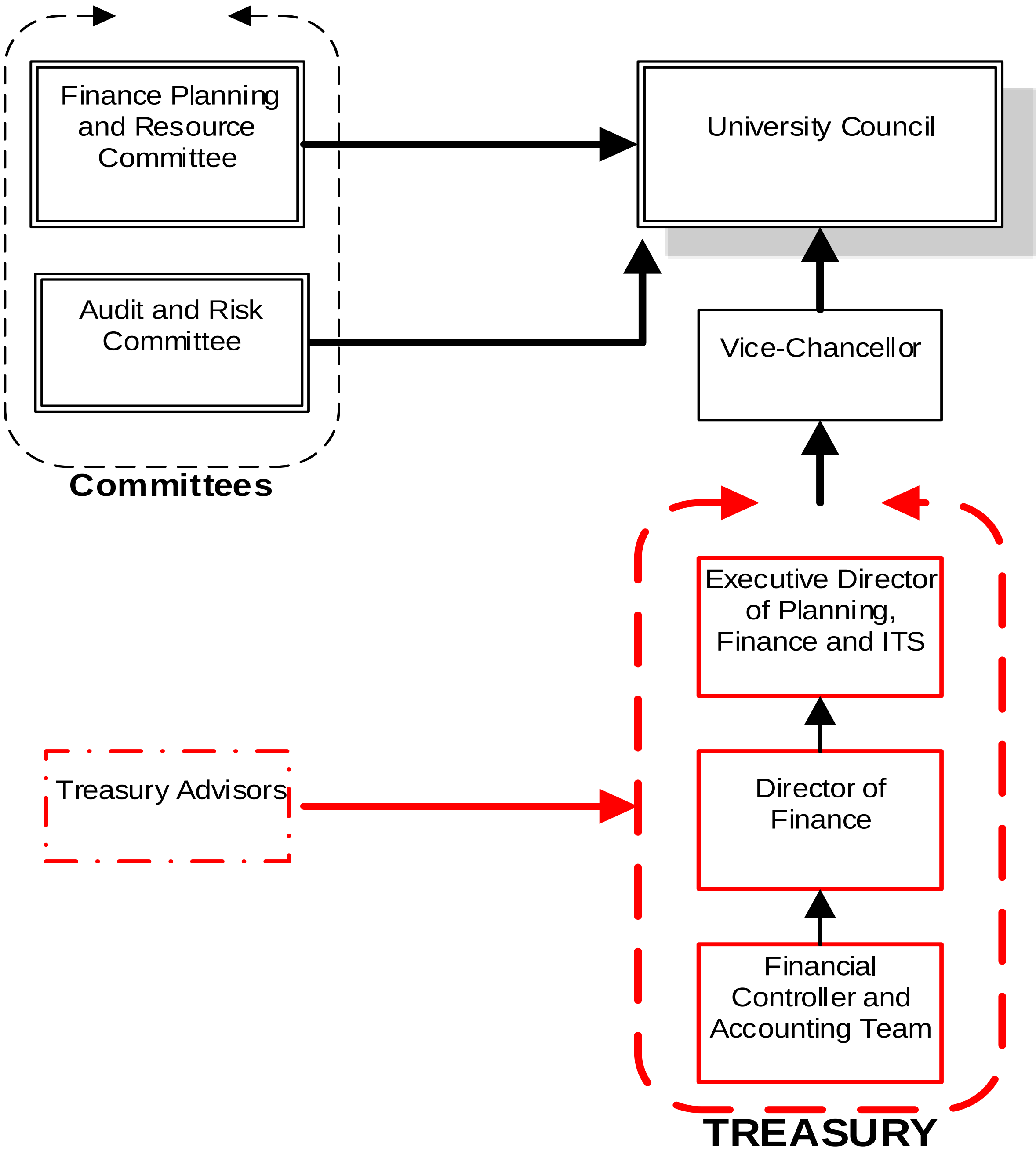
Appendices

- Appendix A – Treasury Organisational Structure
- Appendix B – Legislative framework (extracts)
- Appendix C – Approved Counterparties
- Appendix D – Covenants

Document History and Version Control Table			
Version	**Action**	**Approval Authority**	**Action Date**
For document history and versioning prior to 2013 contact ucpolicy@canterbury.ac.nz			
1.00	Major review of document and conversion into new template.	Chief Financial Officer	Sep 2013
1.01	Updated hyperlinks.	Policy Unit	Nov 2013
1.02	Update for opening and closing of bank accounts within delegation and revision of loan authorisation procedures.	Chief Financial Officer	Apr 2014
1.03	Review date pushed out.	Policy Unit	Sep 2014
1.04	Unscheduled review by Approval Authority.	Council.	Jan 2015
2.00	Scheduled review by Contact Officer.	Policy Unit	May 2016
3.00	Scheduled Review by Contact Officer – minor changes to the Appendix	Council	Apr 2017
4.00	Scheduled review by Contact Officer, minor changes, some sub-headings re-titled		Nov 2018
5.00	Scheduled review by Contact Officer, deletions following termination of Philanthropic Bond, updates as approved by Council.	Council	Oct 2020
6.00	Scheduled review by Contact Officer, minor changes to content to align with Council paper regarding review periods for Council UCPL policies, and additional text regarding the application of the document to the UCF and UCTF, content layout changes, bank credit ratings and legislative references.	Council	August 2022

Appendix A

Treasury Organisational Structure



Appendix B

Legislative Framework (extracts)

NOTE: when referring to legislation, make sure the full Act is taken into consideration. If in doubt as to interpretation of legislation, seek legal advice through the General Counsel | Registrar.

Education and Training Act 2020

[281 Duties of councils]

(1) It is the duty of an institution's council, in performing its functions and exercising its powers….

(e) to ensure that the institution operates in a financially responsible manner that ensures the efficient use of resources and maintains the institution's long-term viability.

[282 Powers of institutions]

(1) An institution has–

(a) the rights, powers, and privileges of a natural person; and

(b) the power to issue debentures; and

(c) the power to grant floating charges on the institution's undertaking or property, or any of it; and

(d) the power to invest in the financial products of a related entity; and

(e) the power to do any other thing it is authorised to do by this Act, by any other enactment, or by any rule of law.

(2) None of the rights, powers, or privileges of an institution shall be exercised except for the purpose of performing—

(a) functions characteristic of institutions of the class to which the institution belongs; or

(b) in the case of an institution that incorporates another institution or other institutions under section 270(4), functions characteristic of institutions of the class to which the incorporating institution belongs and functions characteristic of institutions of the class or classes to which the incorporated institution or institutions belong; or

(c) functions of a kind that, in the opinion of the institution's council,—

(i) may conveniently, and without disadvantage to the performance of those characteristic functions, be performed in association with those functions; and

(ii) are appropriate for institutions of the class to which the institution belongs or, in the case of an institution that incorporates another institution or other institutions under section 270(4), are appropriate for institutions of the classes represented in the institution.

(3) Subsection (1)(b) to (e) does not limit subsection (1)(a).

(4) An institution may not exercise any of the following powers without the written consent of the Secretary:

(a) the power to sell or otherwise dispose of assets or interests in assets:

(b) the power to mortgage or otherwise charge assets or interests in assets:

(c) the power to grant leases of land or buildings or parts of buildings:

(d) the power to borrow, issue debentures, or otherwise raise money.

(5) Despite subsection (4), an institution may, without the consent of the Secretary,—

(a) sell or otherwise dispose of, or mortgage or otherwise charge, an asset or an interest in an asset, where the value of the asset or interest does not exceed an amount determined by the Minister or an amount ascertained in accordance with a formula determined by the Minister:

(b) grant a lease for a term that does not exceed, and when added to any term for which the lease may be renewed does not exceed, 15 years:

(c) borrow, issue debentures, or otherwise raise money, where the amount to be borrowed, the amount of the debentures, or the amount to be raised, does not exceed an amount determined by the Minister or ascertained in accordance with a formula determined by the Minister.

304 Application of money

The money of an institution shall be applied only—

(a) in payment or discharge of the expenses, charges, obligations or liabilities incurred or undertaken by or on behalf of the institution; or

(d) in payment of any remuneration or allowances payable to members of the council or of committees of the council or to the chief executive or members of the staff of the institution; or

(e) in making any other payments that are required or permitted by this Act or any other enactment to be made out of the money of the institution.

285 Delegation of council’s functions and powers

(1) An institution’s council may, either generally or specifically, delegate any of its functions or powers under this Act (except the power to appoint a chief executive) or under any other Act to—

(a) the chief executive of the institution; or

(b) a committee appointed under section 283(4).

(2) The power of the council to delegate—

(a) is subject to any prohibitions, restrictions, or conditions contained in any other Act in relation to the delegation of the council's functions or powers; but

(b) does not limit any power of delegation conferred on the council by any other Act.

(3) The person to whom any functions or powers are delegated under this section may perform those functions or exercise those powers in the same manner and with the same effect as if they had been conferred on that person directly by this Act (subject to any general or special directions given or conditions imposed by the council).

(4) A delegation to a committee under subsection (1)(b) must be treated as a delegation to the persons constituting the committee.

(5) This section applies to the academic committee of an institution (established under clause 18(2) of Schedule 11) as if—

(a) it were a committee of the institution's council; and

(b) all its powers were powers of the council, conferred on the committee by the council by delegation.

286 Further provisions relating to delegation

(1) A delegation under section 285—

(a) must be in writing signed by at least 2 members of the council:

(b) is revocable at will in writing signed by at least 2 members of the council.

(2) A person purporting to act under a delegation is, in the absence of proof to the contrary, presumed to be acting in accordance with the terms of the delegation.

(3) A delegation does not prevent the council from performing any function or exercising any power, or affect the council's responsibility for the actions of any person acting under the delegation.

(4) If the chief executive to whom a delegation is made ceases to hold office, the delegation continues to have effect as if it were made to the chief executive's successor in office.

Subdelegation

(5) If the council has delegated any functions or powers to the chief executive or an academic committee, the chief executive or that committee may, with the written approval of the council, subdelegate those functions or powers (or any of them) to a member of the staff of the institution.

(6) A subdelegation under subsection (5)—

(a) must be in writing signed by the chief executive or by at least 2 of the members of the committee; and

(b) is revocable at will in writing signed by the chief executive or by at least 2 of the members of the committee; and

(c) may be made to—

(i) a specified person or persons of a specified class; or

(ii) the holder or holders of a specified office or specified class of offices.

297 Bank accounts

(1) An institution's council may establish, maintain, and operate bank accounts in the name of the institution at any registered bank or any registered building society with which a Crown entity may establish, maintain, or operate a bank account under section 158 of the Crown Entities Act 2004.

(2) As soon as practicable after receiving any money, the council must pay it into one of the institution's bank accounts.

(3) The council must properly authorise every withdrawal and payment of money from any of the institution's bank accounts.

Crown Entities Act 2004

158 Bank accounts of Crown entities

(1) A Crown entity must ensure that all money received by the Crown entity is paid, as soon as practicable after it is received, into 1 or more bank accounts that are established, maintained, and operated by the Crown entity at 1 or more of the following:

(a) a registered bank or registered building society that satisfies a relevant credit-rating test specified in either regulations made under this Part or a notice in the *Gazette* published by the Minister of Finance; or

(b) a registered bank or registered building society that meets the conditions of any relevant approval given by the Minister of Finance by notice in the *Gazette*; or

(c) a bank outside New Zealand that meets the conditions of any relevant approval given by the Minister of Finance by notice in the *Gazette*; or

(d) a bank outside New Zealand if the conditions specified in subsection (2) are met.

(2) The conditions referred to in subsection (1)(d) are—

(a) the Crown entity, or the class of Crown entities to which the Crown entity belongs, must be authorised to establish, maintain, and operate 1 or more bank accounts at 1 or more banks outside New Zealand by—

(i) the Minister of Finance in writing; or

(ii) any regulations made under this Part; and

(b) the bank account or bank accounts must be of a type approved by—

(i) the Minister of Finance in writing; or

(ii) any regulations made under this Part.

(3) A Crown entity must establish, maintain, and operate a bank account referred to in subsection (2) subject to—
(a) any regulations made under this Part; and

(b) if applicable, any conditions of the authorisation or approval given by the Minister of Finance; and

(c) the entity's Act.

(4) The Minister of Finance must notify in the *Gazette* an authorisation or approval given under subsection (2)(a)(i) or, as the case may be, subsection (2)(b)(i).

(5) A Crown entity must ensure that it does not establish, maintain, or operate a bank account other than as provided for in subsection (1).

(6) All money in a bank account at a registered bank or a registered building society must be denominated in New Zealand dollars unless the Minister of Finance allows otherwise.

(7) A Crown entity must properly authorise the withdrawal or payment of money from a bank account of the Crown entity.

(8) There is a period of grace if a bank account ceases to qualify under subsection (1), and—
(a) during that period the Crown entity may continue to pay money into the bank account; but

(b) by the end of the period the Crown entity must have closed the account and paid all the money in the account into another bank account that does qualify under subsection (1).

(9) The period of grace ends on the earlier of—

(a) 2 months after the bank account ceases to qualify under subsection (1); or

(b) a date specified by the Minister of Finance and notified to the Crown entity.

Public Finance Act 1989

65I Investment of public money

(1) The Treasury may, without further appropriation than this section, invest any money held in a Crown Bank Account or a Departmental Bank Account—

(a) on deposit with a bank (whether in New Zealand or elsewhere) approved by the Minister for the purpose; or

(b) in public securities; or

(c) in any other securities that the Minister may approve for the purpose.

(2) The Treasury may—

(a) invest the money for any period and on any terms and conditions that it thinks fit; and

(b) sell, or convert into money, any of the securities.

(3) The following must be paid into a Crown Bank Account or, if the Minister directs, a Departmental Bank Account:

(a) all interest received from the investment; and

(b) all money received from—

(i) the redemption or maturity of the investment; or

(ii) the sale or conversion of the securities

Appendix C

Approved Counterparties

The UC Council approved counterparties, their long-term credit ratings, and their associated exposure

Counterparty	S&P Rating	Moody's Rating	Maximum $ Exposure	Maximum % Exposure of Total Funds
ANZ	AA-	A1	$150M	65%
ASB	AA-	A1	$150M	65%
BNZ	AA-	A1	$150M	65%
Kiwi Bank	Not rated	A1	$50M	25%
Rabobank New Zealand	A	Not rated	$50M	25%
Westpac	AA-	Aa3	$150M	65%
ICBC	A	A1	$50M	25%
Bank of China	A	A1	$50M	25%

Total exposure as a % of total funds

At all times, wherever possible, funds should be spread amongst counterparties to minimise the risk of counterparty failure. Emphasis should be on investing with counterparties with the highest S&P rating. When the market conditions exist that favour a particular approved counterparty to such an extent that uneven weightings would result, the policy allows the investment to be made provided the following conditions are met:

1. No counterparty with a S&P rating category of A / Moody's Rating A2 is to have in excess of 25% of total funds or $50M (whichever is the lower) invested in it at any one time.
2. No counterparty with a S&P rating of AA- / Moody's Rating of A1 or higher is to have in excess of 65% of total funds or $150M (whichever is the lower) invested in it at any one time.
3. No investment in a counterparty with a S&P rating category of less than A / Moody's Rating A2 will be allowed without Council approval.

The University Council approved financial instruments and their associated maximum maturities are as follows:

Counterparty	Investments maximum per counterparty
NZ Registered Bank	As above
NZ Government	Unlimited

Appendix D

Covenants

There are no covenants in place as at August 2022.