

Financial Management Guidelines

Section 1 - Overview and scope

- (1) These Guidelines support the [Financial Management Principles](#) and outline the objectives, processes, roles and regulations in place to guide UNE and its controlled entities in ensuring appropriate and consistent financial and financial risk management.
- (2) These Guidelines apply to all UNE Representatives, including Controlled Entities, involved in financial and financial risk management.
- (3) Within these guidelines:
- a. Part A deals with risk appetite;
 - b. Part B deals with liquidity and funding;
 - c. Part C deals with interest rate management;
 - d. Part D deals with foreign exchange transactions;
 - e. Part E deals with investments;
 - f. Part F deals with financial counterparties; and
 - g. Part G deals with financial operational risk.

Part A - Risk Appetite

(4) Financial risk and return must be considered in the context of UNE's short, medium and longer-term goals. UNE's overall risk appetite is moderate, primarily because it is a not-for-profit government-owned enterprise and requires predictable financial performance and position. However, individual projects or controlled entities may adopt more risk tolerant approaches in order to achieve specific, approved goals and objectives in accordance with approved policy.

Part B - Liquidity and funding

- (5) The University funding requirements and funding strategy will be reviewed annually and set out in the annual budget approved by Council. To ensure adequate liquidity and funding for all circumstances, UNE aims to:
- a. ensure access to sufficient cash and facilities to meet financial obligations as they fall due with a target current ratio between 1.5 and 3.0*;
 - b. ensure sufficient excess liquidity to meet financial obligations in the event of unexpected business disruption;
 - c. diversify revenue through having three or four income sources, both government and non-government, all preferably providing above fifteen percent of total revenue and none below five percent;
 - d. ensure compliance with borrowing facility undertakings;
 - e. ensure effective, efficient and orderly use of credit facilities with reliable liquidity management planning and procedures;
 - f. ensure that the debt maturity profile is appropriately structured, taking into account the infrastructure and working capital funding requirements, asset/liability matching and refinancing risks;
 - g. seek an appropriate mix of capital in order to access diverse funding sources with debt no more than 10% of

capital; and

- h. ensure an interest coverage ratio of at least 1.5 while ensuring the current ratio for untied assets/untied liabilities remains within 1.5 and 3.0*.

*In extenuating circumstances, the Finance and Infrastructure Committee may approve exceptions to these ratios.

Managing liquidity and funding risk

(6) UNE will manage liquidity and funding risk through a liquidity reserve. The minimum liquidity reserve will be the sum of amounts required to cover the forecast shortfall (if any) in actual net cash flow, event risk, committed and uncommitted borrowing maturing within the next twelve months and strategic funding purposes.

(7) To manage short-term operating liquidity, a target operational cash float will be maintained, based on the minimum cash required to cover regular costs. Access to the short term operational cash float must be immediate.

(8) Debt maturities will be spread out to limit risk on debt rollover. Any new facilities negotiated will be contracted with an adequate spread of maturities, taking into account the duration in debt funding requirements, balanced with the cost of capital over short or long tenors.

(9) Where practical and cost-effective, UNE will access diverse sources of funding in order to reduce re- financing risk. Funding sources may include banks, mutuals, and capital markets.

Part C - Interest Rate Management

(10) The Finance and Infrastructure Committee will approve interest rate risk management strategies. UNE's strategy is to maximise returns while limiting risk to an acceptable level, minimise large variations in revenue or expenses and ensure an appropriate flexibility to accommodate potential changes in funding requirements.

(11) UNE Treasury will manage debt interest rate risk by determining the appropriate level of fixed and floating rate exposure in each maturity band. The benchmark, and authorised ranges, will be based on a percentage of fixed interest rate exposure per year.

(12) Authorised ranges for fixed interest rate exposure on borrowings are set out in the following table:

Maturity	Minimum fixed rate exposure	Maximum fixed rate exposure
<5 years	50%	100%
>5 Years	40%	60%

Part D - Foreign exchange transactions

(13) UNE Treasury is responsible for managing foreign exchange transactions and will use forward contracts (fixed or participating) and foreign currency bank accounts (with a combined balance of up to 100% of UNE's expected annual forex obligations) as foreign exchange products.

(14) UNE Treasury aims to, where possible and appropriate, employ hedging strategies to minimise large variations in cash flow arising from the impact of exchange rate movements.

(15) Committed (timing and amount) foreign currency exposures identified in excess of AUD \$100,000 will be hedged between 50 and 100%, to the expected date(s) of settlement. It is the responsibility of the relevant directorate, faculty to identify possible foreign currency transactions early and to formally request hedging cover immediately to UNE Treasury.

Part E - Investments

(16) In managing UNE's investments, UNE Treasury aims to:

- a. maximise return while limiting risk to an acceptable level;
- b. select investments/investment portfolios that will protect the nominal value of capital over the term of the investment;
- c. make investment that ensure University cash flow requirements are met as and when they fall due;
- d. invest in accordance with Schedule 2 of the [University of New England Act 1993 \(NSW\)](#), and the University of New England (Investment Powers) Order 2003;
- e. construct investment portfolios with appropriate asset allocation, liquidity and diversification;
- f. seek, for commercial activities, a return on investment target equal to or higher than current cash management rates;
- g. invest solely in the best interests of UNE and invest with care, skill, prudence and due diligence;
- h. observe conditions attached to bequests/donations when investing; and
- i. assess the merits of any prospective investments within the framework of UNE's core values, specifically sustainability and ethical behaviour.

(17) Investment returns may experience volatility and fluctuations in market value. The University will tolerate volatility as measured against the volatility of a comparable market index in each asset class and a composite index based on the strategic allocation to each asset. The indices (e.g., ASX All Ordinaries index) used as a measure of an investment manager's performance will also be used to benchmark what is allowable volatility (risk).

(18) The types of UNE investments are outlined below:

- a. Short-term investments: These investments provide liquidity to meet short-term operational and capital commitments through financial instruments that are liquid, at interest rates higher than the transaction bank account and that have minimal chance of loss of capital. A fund manager may be engaged to manage part of or the entire fund. Investments are limited to cash and fixed interest products and do not involve property or share investments.
- b. Medium-term investments: These investments allow UNE to take advantage of higher returns available on securities, such as fixed rate bonds and floating rate notes. A suitably qualified adviser or fund manager should be engaged to manage and/or advise on these investments.
- c. Long-term investments: These investments align with the long-term strategic objectives of the University and are typically growth asset categories with higher returns than fixed term interest, but with relatively low probability of loss of capital over periods of 5 years or more. A suitably qualified adviser or fund manager should be engaged to manage these investments.

(19) Authorised investment products include:

- a. Defensive investment (cash and fixed interest): bank accounts, bonds, notes, debentures and other income producing investments issued by appropriately rated financial institutions (see Part E of these guidelines).
- b. Growth investments (shares and property): shares, property, funds, infrastructure and alternative investments rated BUY/HOLD or equivalent by investment ratings organisations such as Morningstar or Lonsec.

Fund advisers and managers

(20) To assist with managing investments, UNE Treasury and UNE's controlled entities may:

- a. employ fund advisers/managers to achieve its investment objectives. Where the services of fund managers are

- used, the managers will have full responsibility for the investment of the assets, within agreed mandates; and
- b. seek advice from an investment adviser for services including but not limited to assessing the risk of investment in each investment category, the combined risk and return characteristics of the investment funds relating to each category, and in general product advice.

(21) Any fund advisers and managers must, at all times during which investments are made, hold a current Australian Financial Services Licence and comply with their obligations under all laws including applicable ASIC policies and the conditions of any ASIC Class Order or individual relief granted by ASIC. Engaging a new fund adviser/manager must be approved by the Finance and Infrastructure Committee, Council and, where required by law, the NSW Treasurer.

(22) Financial limits for investment transactions are outlined in the UNE schedule of financial delegations. The following table sets limits for maturity, liquidity and investment targets.

	UNE Short-Term Investments	UNE Medium-Term Investments	UNE Long-Term Investments
Time Horizon	1 year or less	>1 year <5 years	>5 years
Accessibility/liquidity	Within 30 business days	Within 30 business days	Within 30 business days
Target return	Bloomberg AusBond Bank Bill Index	Bloomberg AusBond Credit FRN Index	CPI + 4.5%
Target term	12 months	36 months average	>5 years

(23) UNE Treasury aims to allocate investments per the following tables:

Short and Medium-term investments	Strategic benchmark	Tolerable range
Cash (at call, 11am, professional funds accounts)	5%	0-10%
Fixed interest term deposits, promissory notes, tailored deposits, floating rate notes, treasury notes, government bonds	95%	90-100%
TOTAL	100%	

Long-term investments	Strategic benchmark	Tolerable range
Fixed interest and cash	30%	20-40%
Shares – Australian	30%	20-40%
Shares - Overseas	30%	20-40%
Property & Infrastructure - Unlisted	0%	0-5%
Property & Infrastructure – Listed - Australian	5%	0-5%
Property & Infrastructure – Listed - Overseas	0%	0-5%
Alternatives	5%	0-5%
TOTAL	100%	

Part F - Counterparty credit exposures

(24) To ensure counterparties to UNE's financial transactions are creditworthy and that the transactions are within approved delegations, UNE Treasury will:

- a. set counterparty limits based on the counterparty's credit rating; and
- b. identify and report all counterparty exposures for regular review against counterparty limits.

(25) The following table sets counterparty limits for the short and medium term investments.

Organisation	Short-Term Credit Rating	Maximum exposure (% of short/medium term investments)	Maximum term to maturity
Authorised deposit-taking institution	AAA	100%	12 months
Authorised deposit-taking institution	A1+	100%	12 months
Authorised deposit-taking institution	A1	60%	12 months
Authorised deposit-taking institution	A2	40%	12 months
Authorised deposit-taking institution	Unrated	15%	6 months
Commonwealth or State Government	AA- or above	100%	12 months

(26) The following table sets counterparty limits for long term investments.

Organisation	Long-Term Credit Rating	Maximum exposure (% of long-term investments)	Maximum term to maturity
Authorised deposit-taking institution	AAA to AA	100%	5 years
Authorised deposit-taking institution	A+ to A-	65%	5 years
Authorised deposit-taking institution	BBB+ to BBB-	40%	5 years
Authorised deposit-taking institution	Unrated	15%	5 years
Commonwealth or State Government	AA- or above	100%	5 years

(27) Where investments are held via managed investment funds, the average credit rating of the portfolio of securities will be the measure of the credit rating of the managed fund as a whole.

(28) The following table sets limits for individual counterparties.

Long-term Credit Rating range	Short-term Credit Rating range	Limit
AAA		100%
AA	A1+	40%
A	A-1	30%
BBB	A-2	20%
BBB	A-3	10%
Unrated ADIs		5%

Part G - Financial Operational Risk

(29) UNE Treasury will minimise the potential for financial loss through:

- a. insurable events by insuring against material risks where economic to do so; and
- b. human error, fraud or the inappropriate use of financial instruments by:

- i. clearly defining the roles, responsibilities and authorities of staff involved with financial transactions;
- ii. ensuring key processes and corresponding controls are adequate and operate effectively; and
- iii. ensuring compliance with audit, contractual and statutory requirements.

(30) Any breaches of financial management principles and guidelines will be reported immediately to the Chief Financial Officer, who will determine whether corrective action is taken. The breach will be reported to the Finance and Infrastructure Committee at its next meeting, including the reasons for the breach occurring, and the corrective action taken, if any.

Section 2 - Authority and Compliance

(31) The Finance and Infrastructure Committee makes these Guidelines.

(32) UNE Representatives must observe these Guidelines in relation to financial management.

(33) These Guidelines are consistent with UNE's obligations under section 16 of the [University of New England Act 1993 \(NSW\)](#).

(34) UNE Representatives are required to store all decisions around financial and financial risk management in UNE's Records Management System.

(35) These Guidelines operate as and from the Effective Date. Previous versions of the Financial Management Rule are replaced and have no further operation from the Effective Date.

(36) Notwithstanding other provisions of these Guidelines, the Vice-Chancellor and Chief Executive Officer may approve an exception to these Guidelines where the Vice-Chancellor and Chief Executive Officer determines the application of these Guidelines would otherwise lead to an unfair, unreasonable or absurd outcome. Approvals by the Vice-Chancellor and Chief Executive Officer under this clause must be documented in writing and must state the reason for the exception.

Section 3 - Quality Assurance

(37) The implementation of these guidelines will be supported and measured by the Chief Financial Officer conducting an annual review of UNE's financial management, particularly investment practices and performance, and reporting on compliance with these Guidelines to the Finance and Infrastructure Committee and Vice-Chancellor and Chief Executive Officer.

Section 4 - Definitions

(38) Counterparty: the other party that participates in a financial transaction.

(39) Interest coverage ratio: measures how many times a company can cover its current interest payment with its available earnings.

(40) Liquidity: funds where availability is both immediate and unrestricted

(41) Risk Appetite: the level of financial risk that is accepted as being consistent with an organisation's goals.

Status and Details

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Unit Head	Ilias Dimopoulos Head of Finance
Enquiries Contact	Office of the Chief Financial Officer

Glossary Terms and Definitions

"UNE Representative" - Means a University employee (casual, fixed term and permanent), contractor, agent, appointee, UNE Council member, adjunct, visiting academic and any other person engaged by the University to undertake some activity for or on behalf of the University. It includes corporations and other bodies falling into one or more of these categories.

"Controlled Entity" - Means a person, group of persons or body of which the University or Council has control within the meaning of a standard referred to in Section 39(1A) or 45A(1A) of the Public Finance and Audit Act 1983.