

**Policy Title: Treasury****Policy Owner: Chief Financial Officer**
**Keywords:** 1) Investments 2) Working Capital 3) Borrowings  
 4) Foreign Currency
**Policy Code: PL083 [ad060]**[Intent](#)[Organisational Scope](#)[Definitions](#)[Policy Content](#)[Accountabilities and Responsibilities](#)[Related Documents](#)[Contact Information](#)[Approval History](#)**1. INTENT**

This policy sets out the framework for managing the University's Working Capital requirements, external loans and foreign currency risk.

**2. ORGANISATIONAL SCOPE**

This policy applies to all Edith Cowan University employees from the date of approval and supersedes any previous policy.

**3. DEFINITIONS**

TERM	DEFINITION
BBSW	Bank Bill Swap Rates
Hedging	An investment position intended to offset potential losses/gains that may be incurred by a companion investment to reduce risk.
Liquid Asset	An asset that can be sold quickly without any significant price discount.
Current Ratio	Current Ratio (Current Assets to Current Liabilities) expresses a company's ability to repay short-term creditors out of its total cash.
Working Capital	Cash and cash equivalents available to the University to fund its operations and short-term liabilities.

## 4. POLICY CONTENT

### 4.1 Working Capital - Requirements

4.1.1 The University must maintain sufficient Working Capital to cover the University's operations and short-term liabilities. This balance will fluctuate depending upon the liquidity requirements of the University. At a minimum, the University shall maintain four weeks of revenue as Working Capital.

4.1.2 The University must also maintain a Current Ratio of above 1.0.

4.1.3 Funds in excess of Working Capital requirements are to be transferred to the Investment portfolio and managed under the Investment Policy.

### 4.2 Working Capital - Investment Types

4.2.1 The University shall invest Working Capital funds in Liquid Assets. These include:

- (a) Cash held in cheque account;
- (b) Bank Bills/Term deposits with maturities less than 92 Days;
- (c) Managed Funds with ability to mature funds within 24 hours;
- (d) Any other Liquid Asset as endorsed by the Resources Committee.

### 4.3 Working Capital - Investment Restrictions

4.3.1 The rating system of international rating agency Standard & Poor's Rating Group is used to determine the creditworthiness of investment institutions.

The percentage of the total investment of Working Capital in any category must fall within the following limits:

Standard and Poor's Short-term Rating Category Maximum	Description	%
A1+	Highest Grade	100%
A1	High Grade	80%
A2	Upper Medium Grade	30%

4.3.2 No one institution shall have investments totalling more than 50% of the total Working Capital investments.

4.3.3 The Chief Financial Officer may temporarily override restriction limits where there are short-term (less than two weeks) unplanned liquidity requirements.

4.3.4 Authorised signatories for all investments to be consistent with ECU's Delegation Manual.

#### **4.4 Working Capital - Benchmark**

4.4.1 The performance goal is to achieve a rate of return equal to or better than the 30 day Bank Bill Swap Rates (BBSW).

#### **4.5 Working Capital - Performance and Reporting**

4.5.1 Each quarter, a Treasury report is to be prepared covering:

- (a) Total funds held as Working Capital;
- (b) Percentage held in each short-term category;
- (c) Percentage held in each institution;
- (d) Performance of Working Capital funds against relevant benchmark;
- (e) Current Ratio as at quarter end date;
- (f) Review of compliance with this Policy.

#### **4.6 Borrowings - Requirements**

4.6.1 The University may borrow money for specific projects, in accordance with the ECU Act 1984 Section 37.

4.6.2 Requests for new borrowing facilities must be submitted to the Chief Financial Officer for assessment prior to submission to the Vice-President (Corporate Services) and Resources Committee for recommendation to Council. The submission shall include:

- (a) A detailed business plan clearly identifying benefits arising, including an explanation as to why the project should proceed;
- (b) The business plan will incorporate a detailed cash flow projection prepared on a discounted cash flow basis, including the ultimate repayment of the loan (principle and interest).

4.6.3 Once the lending request has been reviewed by Resources Committee and endorsed by the University Council, the Chief Financial Officer shall prepare a formal loan application to the appropriate lending agency and will arrange, if required, the State Treasurer's Guarantee.

#### **4.7 Borrowings - Reporting**

4.7.1 Each quarter, the Treasury report must include:

- (a) Total funds borrowed, total facility and funds still remaining available for drawdown;
- (b) Estimated loan draw downs for the next 12 months including cash flow projection for the University.

#### **4.8 Foreign Currency - Hedging**

4.8.1 The University must manage its foreign currency risk in accordance with Treasurer's Instruction 826. This Instruction requires the University to ensure that foreign exchange risks arising from financial activities are considered and appropriately managed.

4.8.2 All contracts should be negotiated in Australian dollars to eliminate foreign currency risk and, where this is not possible, contracted in one of the University's four core currencies of US Dollars, Euro, Great British Pounds or Singapore Dollars.

4.8.3 Committed foreign currency exposure that has a total foreign exchange amount greater than AUD 50,000 dollars must be hedged.

4.8.4 Hedges should normally not extend beyond a twelve month time horizon from the current date as the uncertainty of future cash flows usually increases with time.

4.8.5 The Chief Financial Officer, or delegate, has the ability to over-ride the above requirements if a valid business case is presented.

#### **4.9 Review of Policy**

4.9.1 This policy will be reviewed at three-year intervals or more frequently if circumstances warrant.

### **5. ACCOUNTABILITIES AND RESPONSIBILITIES**

In relation to this policy, the following positions are responsible for the following;

#### *Policy Owner*

The Policy Owner is the Chief Financial Officer who has overall responsibility for the content of this policy and its operation at ECU.

The Manager Financial Services has the overall responsibility to ensure that the administration and operational processes and procedures are managed as per the established policy.

Staff are required to comply with the content of this policy and to seek guidance in the event of uncertainty as to its application.

## 6. RELATED DOCUMENTS:

6.1 Other documents which are relevant to the operation of this policy are as follows:

- [Investment Policy](#)

## 7. CONTACT INFORMATION

For queries relating to this document please contact:

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## 8. APPROVAL HISTORY

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