

# TREASURY AND INVESTMENTS POLICY AND PROCEDURE (FMPM)



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## 1 PURPOSE

- 1.1 This policy and procedure outlines the specific functions that CQUniversity can undertake in relation to investments and borrowings, and on what basis. Section 51 of the [Central Queensland University Act 1998](#) (Qld) (CQU Act) states that CQUniversity is a statutory body within the meaning of the [Statutory Bodies Financial Arrangements Act 1982](#) (Qld) (SBFA Act). The University has been granted authority to undertake treasury activities (i.e. investment, debt and banking) as a statutory body within the [SBFA Act](#).
- 1.2 CQUniversity currently holds Category 3 investment power as prescribed in Schedule 5 of the [Statutory Bodies Financial Arrangements Regulation 2007](#). Without specific approval from Council or the Treasurer, investments are limited to those prescribed by Part 6 of the Act for statutory bodies with Category 3 investment power. Category 3 investment power allows investment in a range of highly secure investments either at call, or for a fixed term of no more than three years, and the power to undertake a range of other investments, regardless of the period of investment. These include the purchase of land in fee simple in any State; leasehold land in the State held under a lease that is for a term of 40 years or more and that is unexpired at the time of the purchase; and debentures or other securities charged on the funds or property of a local government.

## 2 SCOPE

- 2.1 The University's Treasury and Investments Policy and Procedure includes responsibility for:
- assessing the University's annual borrowing requirements and submitting borrowing applications to the [Department of Education and Training](#) (DET) in accordance with the approved capital budget and Council borrowing approval
  - managing the University's borrowings from [Queensland Treasury Corporation](#) (QTC) or other agencies approved by the Audit, Risk and Finance Committee and the Queensland Treasurer
  - ensuring the University has sufficient cash flow in order to meet its short-term debt obligations and operating expenses
  - investing the University's short and long term cash surpluses with the aim of maximising returns in compliance with legislation and approvals from the Audit, Risk and Finance Committee and the Queensland Treasurer, and
  - reviewing project and investment evaluation material for investments in other asset classes, in the context of their impact on the University's overall financial sustainability.
- 2.2 The scope includes the following identified risks to be managed under the policy and procedure:
- credit risk - the risk of financial loss through the unwillingness or inability of contractual counterparties to meet their obligations under their respective contracts
  - liquidity risk - the potential inability to fund operations or convert assets into cash to meet short or immediate term obligations
  - market risk – the risk of losses arising from market movements of prices, interest rates and foreign currency exchange rates, and
  - internal risks such as compliance, funding, operational and technology.
- 2.3 A separate [Risk Management Policy and Procedure \(FMPPM\)](#) and the University Council's Risk Appetite Statement provides wider guidance on managing risk as an integral part of University operations, however it is outside the scope of this policy.

### 3 POLICY STATEMENT

3.1 The purpose of this policy and procedure is to provide a framework for identifying and effectively managing the financial risk associated with treasury activities. The policy recognises the need to maximise returns on investments whilst maintaining a strong focus on capital preservation consistent with the University's Risk Appetite Statement and the [SBFA Act](#), in order to:

- support the purpose and function of the University as defined in the [CQU Act](#)
- provide funds to support the University's short-term commitments and operational needs, and capital growth to support longer term growth objectives, and
- support a reasonable level of funding stability from year to year consistent with the risk appetite of the University

### 4 PROCEDURE

#### Investment management

4.1 The Deputy Director, Financial Accounting and Operations is required to manage the University's investment portfolio in accordance with this policy and must take consideration of the following:

- documented treasury procedures must incorporate appropriate internal controls and segregation of duties
- speculative transactions (defined in [Appendix A](#)) are not permitted
- all investment activity occurs within the correct University bank account
- the assessed security of capital and income objectives will be the major considerations when making an investment decision
- the investment allocations contribute to and support the University's cash flow requirements
- information is sourced for cash flow management from the Finance Operations Manager (or nominee), and
- investments must be made at the most advantageous rate available at the time for the particular investment type with the same risk or credit rating, and in a way that is the most appropriate given the circumstances.

#### Investment decisions

4.2 Investment decisions should consider:

- that investments are made in accordance with the [SBFA Act](#) for a category 3 investment power to which the University is assigned
- the use of leverage to increase returns of an investment is prohibited
- the purchase of derivative securities for non-hedging purposes, either directly or indirectly is prohibited
- the use of investment in securities that are complex in nature (ie securitised or structured products, bond mutual or cash plus funds) are prohibited
- investments in non-AUD denominated securities are prohibited
- the requirement for investments to be regularly revalued/reviewed (at a minimum annually) to reflect prevailing market prices.
- the requirement for investments to be liquidated if they are downgraded below a minimum rating acceptable under the [SBFA Act](#), unless the Treasurer's approval is obtained within a 28 day period to continue with the investment
- investments should be held in highly liquid accounts .

4.3 Investments may not always be placed in the highest return facility but will be assessed on the most beneficial overall outcome for the University. In such circumstances the rationale for the recommendation must be documented and approved by the Deputy Vice-Chancellor (Finance and Planning).

- 4.4 Under the [SBFA Act](#), the University may appoint fund managers or seek external investment advice with the approval of the Queensland Treasurer. Fund managers and advisers must abide by the same requirements and restrictions contained in this policy and any other relevant procedure documents and operate within the approved risk tolerance framework.
- 4.5 The University can retain [Queensland Investment Corporation](#) (QIC) and [QTC](#) as fund managers and investment advisers as approved under the [SBFA Act](#) without specific referral to the Queensland Treasurer.

### Investment strategy

- 4.6 The University's Investment Portfolio will be managed through an investment approach whereby surplus cash of the University will be invested through either the cash investment strategy or the growth investment strategy. The nature and liquidity of the funds will determine the appropriate strategy they are invested through in line with the defined risk tolerance levels.
- 4.7 The capital value of the funds invested using the cash investment strategy must be preserved to the maximum extent by applying the following strategies:
- only invest in the allowed investment types listed above and that meet the prescribed credit ratings outlined in [Appendix B](#).
  - only invest with approved counterparties as set out in [Appendix C](#). This counterparty list is approved by the Audit, Risk and Finance Committee on the recommendation of the Deputy Vice-Chancellor (Finance and Planning) annually.
  - regular monitoring in the quarterly Treasury Report of the mark-to-market value and credit rating of each investment and counterparty against the credit ratings and limits outlined in [Appendix B](#) and [C](#).

### Cash investment strategy (< 12 months)

- 4.8 Funds available for short-term investment, including funds that represent the University's core liquidity and working capital requirements over a one year budget period, will be invested using the cash investment strategy. This strategy seeks to meet the short term liquidity requirements of the University whilst providing a low to moderate real return with a strong focus on capital preservation.
- 4.9 Liquidity and access to funds as required is to be achieved by applying the following:
- conduct regular reviews of the University's future cash flow requirements and ensure funds will be available to meet these requirements
  - maintain an appropriate level of funds at call to ensure expenditure contingencies will be covered
  - no individual investment shall have a maturity of greater than 12 months, unless otherwise approved by the Deputy Vice-Chancellor (Finance and Planning) and must be within the designated parameters as defined by the [SBFA Act](#) and policy.
- 4.10 The University will ensure the following:
- performance objective - to achieve a return (net of tax and fees) at least equal to the Bloomberg AusBond Bank Bill Index over rolling 12 month periods.
  - performance benchmark - Bloomberg AusBond Bank Bill Index.
  - risk objective - to ensure bank and investment accounts remain positive and do not go into overdraft.
  - interest allocation - will be managed by applying the following strategies:
    - interest earned on funds invested using the cash investment strategy will be allocated in the University budget process or other financial allocation process determined by the Deputy Vice-Chancellor (Finance and Planning).
    - where interest must be allocated to grants and endowments received but not yet spent and no calculation method is specifically stated in the grant agreement or endowment deed, interest will be calculated using the monthly interest rate received on the University on-call account. Income will be calculated and allocated based on the monthly closing balance of the grant or endowment within the University's finance systems.

- management fees - returns earned on funds invested using the cash investment strategy shall be net of any direct costs and management charges as approved by the Deputy Vice-Chancellor (Finance and Planning)
- allowed instruments - the cash investment strategy can include investments in any of the following type of instruments as per the approved counterparties in [Appendix C](#):
  - transactional bank accounts
  - interest bearing deposits
  - commercial paper
  - bank accepted/endorsed bank bills
  - bank negotiable certificates of deposit
  - short term bonds
  - QIC Cash Fund
  - QTC Capital Guaranteed Cash Fund, debt offset facility, fixed rate deposit (up to 12 months) and QTC Working Capital Facility, and
  - cash funds managed by approved Fund Managers
- asset allocation: refer [Appendix B](#)
- all investments will normally be held until the official maturity date unless specifically approved by the Deputy Vice-Chancellor (Finance and Planning), and
- diversification - investments shall be made to ensure a reasonable level of institutional diversification relative to the total funds invested under the cash investment strategy and subject to institutional limits. Approval of the placement of funds is subject to maximum investment limits for groupings based on institution, credit ratings and asset type, as outlined in [Appendix B](#). For the purpose of this, investments in managed cash funds are to be based on each fund's average effective rating.

### **Growth investment strategy (> 12 months)**

- 4.11 The growth investment strategy seeks to provide real returns over time periods greater than 12 months commensurate with the risk profile.
- 4.12 The University will ensure the following:
- growth investment strategy structure - contains funds of a permanent or long term nature and the funds not being required for liquidity or utilisation within at least the two year budget horizon. Accordingly, the majority of the assets will be invested in the growth sectors with the remaining assets invested in defensive assets for diversification. The growth strategy will include endowed and donated funds unless specifically approved by the Deputy Vice-Chancellor (Finance and Planning).
  - performance objective - the investment objective is to achieve a total return (net of tax and fees) that exceeds the Bloomberg AusBond Bank Bill Index by 2.0% per annum over rolling three year periods.
  - risk objective - whilst recognising that capital preservation is a key objective of the [SBFA Act](#), the University accepts the possibility of negative returns with the risk objective being assessed on a case by case basis depending on the allocation for each class of asset.
  - spending policy - income earned on growth investment funds will be allocated in the University budget process or other financial allocation process determined by the Deputy Vice-Chancellor (Finance and Planning) unless otherwise specified in the fund conditions or by other provision.
  - management fees - returns earned on funds invested using the growth strategy shall be net of any direct costs and any management charges as approved by the Deputy Vice-Chancellor (Finance and Planning).
  - strategic asset allocation - the table as outlined at [Appendix B](#) sets out the benchmark portfolio within which the growth investment strategy is expected to operate and against which performance will be measured. Exposure to cash assets may be obtained through funds invested using the cash investment strategy.

## Debt strategy

- 4.13 The debt strategy is to establish a framework for the prudent use of debt. It is acknowledged that the use of debt is one source contributing to a balanced, long-term funding strategy. Debt must not exceed a conservative level based on Council borrowing approval and be consistent with the long-term capacity to fund repayments and may have regard to appropriate organisational targets.
- 4.14 Within this framework, this strategy further:
- establishes a comprehensive view of the University's long-term position on debt
  - establishes an increased awareness of issues concerning debt
  - ensures a common understanding between the University's management, staff and stakeholders of the University's debt preferences, and
  - demonstrates to lending institutions that the University adopts a disciplined approach to borrowings and the use of debt
- 4.15 This strategy will apply to the University's long-term financial plan and all transactions contemplated or entered into.
- 4.16 The University will utilise debt as part of a balanced, long-term funding strategy to:
- minimise net financing costs
  - make best use of the University's available cash flows
  - manage liquidity, and
  - enhance financial sustainability
- 4.17 The University will manage borrowing and debt levels to target the financial sustainability guidelines for debt and interest coverage supported by both the [DET](#) and [QTC](#) and meet the Universities own guidelines or performance indicators to the extent these are established.

## Debt guidelines

- 4.18 Part 5 of the [SBFA Act](#) details the borrowing powers for statutory bodies. Approval from the Queensland Treasurer plus departmental approval is required should the University want to borrow.

## General debt principles

- 4.19 The following general principles apply to all borrowings.
- the University will not use debt to finance operating expenditure
  - the University recognises the additional cost incurred when assets are acquired through the use of debt and that this cost should be absorbed through increased costs of providing that infrastructure
  - the University will endeavour to fund its Capital Management Plan from operating cash flows. Where borrowing is required to support the plan funding, any projects included will have been assessed against the following required attributes:
    - strategic importance
    - the ability of the project to produce new or increased income
  - the University acknowledges that the prudent use of debt can foster intergenerational equity and complements part of a long-term balanced funding strategy
  - when the University finances capital projects through debt, it will repay that debt over a term that does not exceed the life of those assets
  - all relevant financial reports will give full disclosure of existing debt
  - the Deputy Vice-Chancellor (Finance and Planning) will liaise with [DET](#) and [QTC](#) around the appropriate term and structure of debt within the terms of [DET](#)'s approval

## Leasing

4.20 Leasing will be managed by applying the following strategies.

- leases are a permitted form of funding available to the University
- the University is permitted to enter into a lease provided that the transaction meets the tests for obtaining a lease set out in Part 5 of the [SBFA Act](#)
- the University will not enter into a lease unless it is proven to be the least-cost option, except through specific approval by the Deputy Vice-Chancellor (Finance and Planning)
- the Deputy Vice-Chancellor (Finance and Planning) is responsible for ensuring that the lease criteria are met prior to any leasing arrangements being entered into.

## Bank guarantees

4.21 Bank guarantees will be managed by applying the following strategies.

- guarantees will only be entered into where a known encumbrance exists
- guarantees will be denominated in AUD wherever possible
- quotes must be obtained from the University's transactional bank and [QTC](#) prior to entering into a guarantee.

## 5 RISK MANAGEMENT

### Credit risk

5.1 The primary objective of managing credit risk is to ensure that the University does not suffer losses due to counterparty failure that significantly impacts the financial performance of the University. Credit risk will be managed by adhering to the investment parameters and credit requirements set out in [Appendix B](#) and [C](#) of this policy and procedure.

### Liquidity risk

5.2 The primary objective of managing liquidity risk is to ensure that there are sufficient funds available to meet the University's financial commitments when required. It is also to plan for unforeseen events which may curtail cash flows and cause pressure on liquid assets. The possible causes of a crisis in liquidity include:

- unexpected reduction in revenues
- unexpected increase in operating expenses
- unexpected capital expenditure
- sustained reduction in profitability, and
- business disruption.

5.3 In addition to the balances held in its bank account for routine operating requirements, the investment portfolio will maintain sufficient liquidity to meet all reasonably anticipated operating cash flow requirements, as and when they fall due, without incurring significant transaction costs due to being required to sell an investment. Liquidity risk levels are assessed as requiring sufficient cash investments to cover University salaries and oncosts for six weeks, plus externally restricted cash in accordance with the monthly management report.

### Interest rate risk

5.4 Interest rate risk will be managed by minimising the University's exposure to the impact of fluctuations in interest rates by:

- keeping minimal cash balances in the University general fund by monitoring daily cash requirements and moving excess funds into high interest bearing accounts (currently [QTC](#) and [Commonwealth Bank of Australia](#) On-Call account). Minimum daily balance in the general fund should be kept below approximately \$25k.

- borrowing assessments and applications should be made in conjunction with advice from [DET](#) and [QTC](#).

## Foreign exchange risk

- 5.5 The primary objective of managing foreign exchange risk is to mitigate the University's exposure to revenues and expenses denominated in foreign currency and to ensure budget certainty is maintained.
- 5.6 Foreign exchange risk will be managed by:
- identifying exposures to foreign exchange movements
  - exchanging sufficient cash into the required currency as soon as practicable, once the requirement is known, to provide budget certainty for the University
  - the value of derivative transactions should not exceed the value of the underlying asset being hedged
  - the University may enter into derivative transactions for known purchases/commitments only, and the derivative may only be entered into to hedge against foreign currency exchange rate risk
  - the type of derivatives which may be entered into is limited to forward foreign exchange contracts
  - derivative transactions are subject to the requirements of Part 7 of the [SBFA Act](#)
  - speculative transactions are strictly prohibited
  - each transaction requires prior approval from the Deputy Vice-Chancellor (Finance and Planning) and must be reported in accordance with sections 55 and 56 of the [SBFA Act](#)
  - all hedging transactions must be included in the regular quarterly report to the Audit, Risk and Finance Committee.

## Compliance risk

- 5.7 Compliance risk will be managed by:
- an annual review by Internal Audit of compliance with this policy and procedure, the requirements of the [SBFA Act](#) and reporting of exceptions to the Audit, Risk and Finance Committee and Deputy Vice Chancellor (Finance and Planning)
  - where exceptions are found, investigations detailing the circumstances and strategies for preventing the breach are to be documented and approved by the Deputy Vice Chancellor (Finance and Planning) for submission to the Audit, Risk and Finance Committee.
  - systemic breaches could result in action in accordance with the University [Code of Conduct](#).

## Funding risk

- 5.8 The risk associated with the impact on cash flow from higher funding costs or lack of availability of funds will be managed by daily cash flow monitoring.

## Operational risk

- 5.9 Operational risk will be managed by maintaining a formal Treasury and Investments Policy and Procedure and the establishment of appropriate internal controls and segregation of duties.

## Technology risk

- 5.10 Technology risk will be managed in accordance with the University [Business Continuity Management Procedure](#).

## Commodity price risk (electricity only)

- 5.11 The primary objective of managing commodity price risk is mitigating the University's exposure to increased commodity prices. Commodity price risk will be managed by negotiating supply contracts with a fixed price for the commodity where possible.



## 6 TRANSACTIONAL BANKING FUNCTION

- 6.1 The Treasury function at the University is managed centrally. Transactional banking must be provided by one of the approved counterparties (see [Appendix C](#)). Responsibility for transactional banking rests with the Deputy Vice-Chancellor (Finance and Planning) who has authority in accordance with the [Delegation of Authority Policy \(FMPPM\)](#) to:
- open, maintain, operate and close bank accounts (a complete list of all approved open bank accounts is contained in [Appendix D](#))
  - negotiate automatic and manual transfers of funds facilities
  - request the operation of any service to any account
  - act as Authorised Person/Verifying Officer in relation to banking contracts and accounts.
  - issue instructions to a bank regarding manual payments, safe custody or security procedure in accordance with policy and delegated authority
  - negotiate and execute facilities or limits required to optimise bank account structures (ie 'daylight' or Real Time Gross Settlement (RTGS) limits)
  - install software to facilitate management and reconciliation of accounts
  - recommend the execution of any legally binding agreement and associated documents to novate hedging or trade finance arrangements to or from the University in accordance with [Delegation of Authority Policy \(FMPPM\)](#) and other policies as applicable
- 6.2 The Deputy Vice-Chancellor (Finance and Planning) may delegate the above responsibilities to the Deputy Director, Financial Accounting and Operations or other University officers as required.

### Signatories

- 6.3 Transfer of funds between bank and investment accounts (ie QTC, QIC) requires authorisation by two Category A approvers; OR one Category A and one Category B approver. In exceptional circumstances, and with prior approval of the Deputy Vice Chancellor (Finance and Planning), two Category B authorisers can be used. A list of approved authorisers is contained in [Appendix D](#).
- 6.4 Online transactions through the University's net banking facility (currently [CommBiz](#)) requires two approved authorisers. The list of approved authorisers is contained in [Appendix E](#).
- 6.5 Signatories for banking arrangements must be selected from the approved delegation list, which will be reviewed and approved by the Deputy Vice-Chancellor (Finance and Planning) annually.

### Software installation

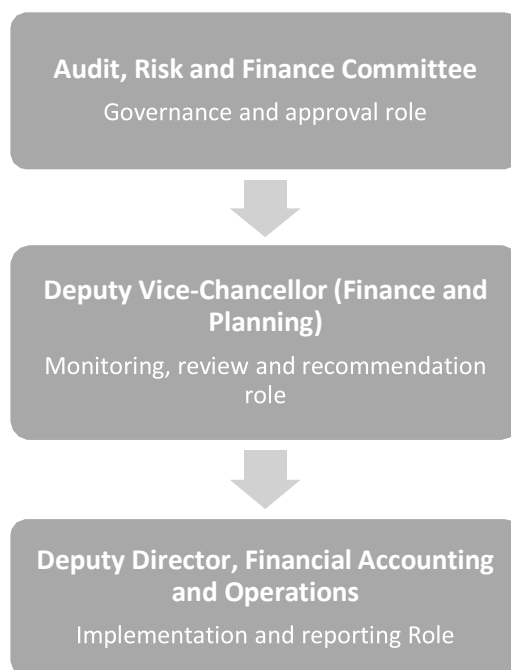
- 6.6 Installation of software may be delegated to the Chief Information and Digital Officer and their team. If this delegation occurs, the Deputy Director, Financial Accounting and Operations remains responsible for ensuring that software is satisfactorily implemented.
- 6.7 To ensure satisfaction with the implementation Internal or External Audit may be engaged to assess the installation in compliance with audit regulations.

## 7 RESPONSIBILITIES

### Compliance, monitoring and review

- 7.1 All University employees must comply and undertake activities associated with this policy and procedure with a duty of care, skill, prudence and diligence to protect the University from mismanagement and misuse of funds. Employees are to manage the investment portfolio not for speculation, but for investment in accordance with the spirit of the policy and procedure and should avoid any transaction that might harm confidence in the University. They should also consider the safety of capital and income objectives when making investment decisions.

7.2 Detailed responsibilities for the Audit, Risk and Finance Committee, Deputy Vice Chancellor (Finance and Planning), and Deputy Director, Financial Accounting and Operations are set out in the following sections.



### **Audit, Risk and Finance Committee**

7.3 The Audit, Risk and Finance Committee responsibilities are to:

- review and recommend to Council to approve the establishment of, and amendments to, the Treasury and Investments Policy and Procedure
- conduct annual review of the University's funding and risk management strategy
- approve new counterparties or amendments to counterparty limits
- conduct annual review of policy compliance and performance
- review any policy breaches and corrective actions taken
- approve foreign currency hedging strategies
- approve the appointment or termination of Fund Managers
- approve the University Investment Strategy
- review internal compliance systems and controls, and
- review any internal or external audit reports relating to treasury and investment activities.

### **Deputy Vice-Chancellor (Finance and Planning)**

7.4 The Deputy Vice-Chancellor (Finance and Planning) will have oversight of all aspects of the application of the Treasury and Investments Policy and Procedure. The Deputy Vice-Chancellor's responsibilities are to:

(a) recommend to the Audit, Risk and Finance Committee:

- the establishment of, and amendments to, the Treasury and Investments Policy and Procedure
- amendments or changes to banking terms and arrangements
- the annual review of the list of counterparties and their limits as set out in [Appendix C](#)
- the approval of interest risk management strategies, within the constraints of this policy and procedure
- the review and endorse recommendations for new financial instrument types and techniques for managing financial exposures within legislative limits
- review compliance and performance reports, and approve any corrective action

- approve variations to, or replacement of, existing borrowing facilities within the constraints of the this policy and procedure
- approve and endorse foreign currency hedging strategies, and
- review treasury reports on compliance and effectiveness

(b) monitor the investment portfolio to assess:

- the performance and effectiveness of the investment portfolio, and investment strategies as a whole, against the objectives outlined in this policy and procedure
- the performance of each Fund Manager against their relevant benchmarks and stated mandate
- the management of associated investment risks, duration and diversification, and
- compliance with this policy and procedure.

### **Deputy Director, Financial Accounting and Operations**

7.5 The Deputy Director, Financial Accounting and Operations is responsible for overseeing and implementing all treasury activities. This encompasses the daily management of the University's borrowing, investment and hedging activities within the bounds and authority as delegated by the Deputy Vice-Chancellor (Finance and Planning), including the:

- annual review of the Treasury and Investments Policy and Procedure and recommendations for amendments for the Deputy Vice-Chancellor (Finance and Planning) and approval by the Audit, Risk and Finance Committee
- development of risk management strategies for the Deputy Vice-Chancellor (Finance and Planning) and approval by the Audit, Risk and Finance Committee
- in conjunction with the Deputy Vice-Chancellor (Finance and Planning), negotiate financial accommodation and arrangements approved by the Audit, Risk and Finance Committee
- implementation of investment and financial risk management activities
- preparation of reports for the Audit, Risk and Finance Committee, including compliance with this policy and procedure and performance reporting, including recommending any corrective action needed for approval by the Deputy Vice-Chancellor (Finance and Planning)
- ensuring accurate records are maintained in respect to the treasury function and all financial risk management activities
- preparation and updating of the treasury section of the [Financial Management Practice Manual](#)
- maintaining the Approved Counterparty agency list including S&P credit ratings for cash investments as set out in [Appendix C](#)
- ensuring documented treasury procedures incorporate appropriate internal controls and segregation of duties
- management of relationships with financial institutions in conjunction with the Deputy Vice-Chancellor (Finance and Planning) as appropriate
- preparation of briefings and reports for the Queensland Treasurer, [DET](#), [QTC](#) and any other parties under legislation as required, and
- ensuring all parties are aware of their responsibilities under the Treasury and Investments Policy and Procedure.

### **Transitional Provisions**

7.6 Any material change to this policy and procedure may give rise to a period of transition and will be subject to a transitional implementation period as approved by the Audit, Risk and Finance Committee, on the recommendation of the Deputy Vice-Chancellor (Finance and Planning).

### **Reporting**

7.7 The Deputy Vice-Chancellor (Finance and Planning) is required to report on compliance with this policy and procedure as part of regular reporting to the Audit, Risk and Finance Committee.

- 7.8 Where a breach has occurred, the Deputy Vice-Chancellor (Finance and Planning), and the Chair of the Audit, Risk and Finance Committee are to be advised immediately of the nature of the breach, the circumstances under which the breach occurred and an outline of what action will be taken to correct the breach. They will assess the impact and actions to be taken and determine the appropriate escalation communication required.
- 7.9 Where internal or external issues are identified outside of the normal budget cycle that have the capacity to materially impact on the University's financial sustainability, the Audit, Risk and Finance Committee may revisit strategies in this policy and procedure to facilitate alignment and achievement of the University's operational and strategic plans.

### **Investment Performance Monitoring and Reporting**

- 7.10 The University Investment Portfolio and each investment strategy's performance is monitored separately on a monthly, quarterly and annual basis, with at least quarterly reporting to the Audit, Risk and Finance Committee including assessment of rolling three and five year results. Any material adverse developments within one or both strategies are to be noted in the Treasury report at the next meeting of Audit, Risk and Finance Committee.
- 7.11 Fund Managers are required to provide, in a timely manner, a monthly report on the performance of the funds managed, which will include, as a minimum, the following information:
- the overall performance of the portfolio for the month, including fees and costs
  - the asset allocation for the month, including performance versus targets/objectives
  - returns of the funds over a given timeframe (ie since inception, three months, six months, one year, two years, etc.)
  - compliance statement with University policy and objectives, and
  - assessment of market conditions and recommendations for future actions.
- 7.12 Fund Managers may be required to provide specific market and strategy reports as and when required by the Deputy Vice-Chancellor (Finance and Planning) and/or the Audit, Risk and Finance Committee.

### **Monitoring of Fund Managers**

- 7.13 Fund Managers may be reviewed and/or replaced if they fail to achieve or are assessed to be likely to fail to achieve in the future the objectives set, or where in the opinion of the University there is a material change in the Fund Manager or University policy or strategy, such that it puts at risk the ability of the Fund Manager to retain the appointment to the satisfaction of the University.
- 7.14 Fund Manager performance will be formally reviewed annually and a recommendation made from the Deputy Vice-Chancellor (Finance and Planning) to the Audit, Risk and Finance Committee as to whether to retain or terminate a Fund Manager.

### **Conflict of Interest**

- 7.15 Employees must advise the appropriate University officers where any potential or actual conflict of interest may exist in relation to the activities covered within this policy and procedure.

### **Records management**

- 7.16 Employees must maintain all records relevant to administering this policy in a recognised University recordkeeping system.

## **8 DEFINITIONS**

The terms used in this policy and procedure are defined in [Appendix A](#).

Terms not defined in this document may be in the University [glossary](#).

## 9 RELATED LEGISLATION AND DOCUMENTS

[Financial and Performance Management Standard 2009](#)

[Financial Management Practice Manual](#)

[Statutory Bodies Financial Arrangements Act 1982](#) (SBFA Act)

[Statutory Bodies Financial Arrangements Regulations 2007](#)

## 10 FEEDBACK

University staff and students may provide feedback about this document by emailing [policy@cqu.edu.au](mailto:policy@cqu.edu.au).

## 11 APPROVAL AND REVIEW DETAILS

Approval and Review	Details
Approval Authority	Council
Advisory Committee to Approval Authority	Audit, Risk and Finance Committee
Administrator	Deputy Vice-Chancellor (Finance and Planning)
Next Review Date	25/10/2018

Approval and Amendment History	Details
Original Approval Authority and Date	Council 16/05/2002
Amendment Authority and Date	Council 16/07/2004; Council 13/12/2004; Council 10/07/2006; Executive Director (Corporate Services) 25/07/2006; Executive Director (Corporate Services) 28/05/2007; Council 24/09/2007; Council 11/05/2009 (includes a title change from Control of Investments Policy); Council 25/06/2012; Council 24/06/2013; Council 25/10/2017; Administrator Amendments Approved – Deputy Vice-Chancellor (Finance and Planning) 8/12/2017.
Notes	This document consolidates and replaces the Investments Policy, Investments Procedure (25 October 2017) and Borrowing Policy (FMPM) (8 December 2017).

## APPENDIX A - DEFINITIONS

These terms have the following meaning in this document.

**At call:** Where the investment can be redeemed and the monies invested can be retrieved from the financial institution within 24 hours or in the case of investments with set maturity dates within 30 days without penalty. Cash funds that the University may, without penalty, obtain all amounts under the investment:

- Immediately upon providing notice to the entity in which the funds/investments are held; or
- Within 30 days after the notice is given to the entity in which the funds/investments, with set maturity dates are held

**Asset allocation:** The invested funds exposure to short-term and long-term credit rating counterparties and asset classes

**AUD:** Australian dollar

**Bank account – general:** CQUniversity AUD transactional account. Full account lists are set out in [Appendix D](#)

**Bank account – on-call:** CQUniversity on-call account. Full account lists are set out in [Appendix D](#)

**BBSW:** Bank Bill Swap interest rate

**Benchmark:** A predetermined set of securities, which is based on published indices or customised for an investment strategy, for performance comparisons

**Borrowing:** The raising and obtaining, in any way, of money, credit and other financial accommodation

**Conflict of Interest:** 'A conflict of interest involves a conflict between the public duty and private interests of a public official, in which the public official has private interests which could improperly influence the performance of their official duties and responsibilities<sup>1</sup>'. Arises when a staff member's personal interests, or those of a person with whom they have a close personal relationship, conflict with their primary obligation to act in the interests of the University. A conflict of interest may be actual, perceived or potential. It can be pecuniary (involving financial gain or loss), or non-pecuniary (based on enmity or amity) and can arise from avoiding personal losses as well as gaining personal advantage, financial or otherwise. Conflict of interest includes conflict of commitment.

**CPI:** Consumer Price Index. A measure of price inflation issued by the Australian Bureau of Statistics. The CPI measure used is the All Groups (weighted average eight capital cities)

**Counterparty:** Counterparty is both a legal and financial term that refers to the other individual or institution to an agreement or contract

**CQU Act:** [CQUniversity Act 1998](#) (Qld)

**Defensive assets:** Defensive assets include investments such as cash and fixed interest, and are considered low risk

**DET:** Department of Education and Training (Queensland)

**DET (Federal):** Department of Education and Training (Commonwealth)

**Duration:** The weighted-average life of the present value of all future cash flows (including principal and interest) of a security

**Endowment:** An investment fund established by the University for receiving third party donations as well as contributions for the University's own reserves with the purpose of generating operating income for specific or general purposes. Refer to the [Acceptance of Donations and Sponsorship Policy and Procedure](#) for further information

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<sup>1</sup> [ICAC Managing Conflicts of Interests in the Public Sector Guidelines](#)

**Fund:** A sum of money or other resources set aside for a specific purpose (eg. A managed fund, investment asset)

**Fund Manager:** A person appointed by the University to manage its investment arrangement on its behalf

**Hedging:** Treasury transactions to manage residual exposure to foreign currency risk and interest rate risk

**Illiquid investments:** Illiquid investments include securities with unique features, structured elements or those issued by counterparties that are not well known or thinly traded; sub-investment grade securities and potentially also securities with a BBB rating; private placements; and securities that are not priced or priced by less than two brokers/dealers. For statutory bodies with Category 3 investment power, an investment in land would be considered an illiquid investment

**Investment advisor:** An organisation appointed by the University to provide advice on investment markets and strategic asset allocation

**Investment portfolio:** The University's surplus funds available for investment

**Investments:** Arrangements that are undertaken or acquired with the expectation of achieving a financial return

**Lease:** An agreement whereby the lessor (owner) conveys to the lessee (user of asset/s) in return for a payment or series of payments the right to use an asset for an agreed period of time

**Long-term investment:** Greater than one year

**Long-term rating:** Greater than one year

**Moody's:** Moody's Investors Service

**Preservation of capital:** An investment strategy with the primary goal of preventing losses in an investments total value. In modern portfolio theory terms, it refers to a guaranteed investment of principal, which would provide a return of at least inflation

**Prudent person standard:** A legal standard restricting the investing and managing of a client's account to what a prudent person seeking reasonable income and preservation of capital might exercise for his or her own investment

**QIC:** Queensland Investment Corporation

**QTC:** Queensland Treasury Corporation

**Queensland Treasurer:** The Treasurer of Queensland

**RBA:** Reserve Bank of Australia

**RTGS:** Real Time Gross Settlement

**S&P:** Standard and Poor's (Australia) Pty Ltd

**SBFA Act:** [Statutory Bodies Financial Arrangements Act 1982](#) (Qld)

**SBFA Regulation:** [Statutory Bodies Financial Arrangements Regulations 2007](#) (Qld)

**Short-term investment:** Less than 12 months

**Short-term rating:** Less than 12 months

**Speculative transactions:** Transactions which engage in financial speculation in an attempt to profit from fluctuations in the market value of an investment rather than attempting to profit from the underlying financial attributes embodied in the investment such as capital gains, interest, or dividends. For example transactions where the aim is to profit from a market movement rather than holding the investment through to maturity

## APPENDIX B: CREDIT RATING AND COUNTERPARTY LIMITS

The below are the credit ratings and counterparty limits approved by the Audit, Risk and Finance Committee. Managed funds may be used as approved by the Queensland Treasurer or as allowed within the Governing legislation.

### Cash investment strategy limits

Rating classification	Counterparty Limits		Tier Limits	
	Maximum \$ limit (per counterparty)	Maximum % of Cash Pool (per counterparty)	Minimum % of Cash Pool (for Tier)	Maximum % of Cash Pool (for Tier)
QTC/QIC	No limit	100%	0%	100%
AAA	\$40m	30%	0%	100%
AA	\$20m	20%	0%	50%
A	\$10m	10%	0%	10%
BBB+ or below	\$0	0%	0%	0%

If the rating of a current investment falls below the required level, either:

- the approval of the Deputy Vice-Chancellor (Finance and Planning) must be obtained to continue the investment, or;
- if approval is not granted, the investment must be liquidated within 28 days of the change in the rating becoming public.

### Growth investment strategy asset allocation ranges

Asset Class	Minimum	Benchmark	Maximum
Australian Listed Property	0%	10%	20%
Australian Equity	0%	35%	45%
Australian Fixed Income	0%	15%	20%
Defensive Alternatives	0%	5%	10%
Global Equity	0%	5%	15%
Global Fixed Income	0%	15%	20%
Listed Infrastructure	0%	15%	20%

### Descriptions:

Australian Listed Property	Real estate investments and property unit trusts
Australian Equity	Ordinary shares traded on the Australian Stock Exchange
Australian Fixed Income	Fixed income securities issued in Australia by Australian governments and corporates with investment grade credit ratings
Defensive Alternatives	Alternatives that are expected to be less volatile than traditional asset classes
Global Equity	Ordinary shares traded on global stock exchanges
Global Fixed Income	Fixed income securities issued in developed countries by Global governments and corporates with investment grade credit ratings
Listed Infrastructure	Physical assets and their associated services that are essential for the functioning of a modern society



## APPENDIX C: APPROVED COUNTERPARTIES

Institution	S&P Short-Term Rating	S&P Long-Term Rating	Rating Outlook
Queensland Treasury Corporation (QTC)	A1+	AA+	Stable
Queensland Investment Corporation (QIC)	A1+	AA+	Stable
Australia and New Zealand Banking Group (ANZ)	A1+	AA-	Stable
Commonwealth Bank of Australia (CBA)	A1+	AA-	Stable
National Australia Bank (NAB)	A1+	AA-	Stable
Westpac Banking Corporation (Westpac)	A1+	AA-	Stable
Bank West	A1+	AA-	Stable
St George Bank	A1+	AA-	Stable
AMP Bank	A1	A	Stable
Hong Kong Shanghai Banking Corporation (HSBC)	A1	A	Stable
Macquarie Bank Ltd	A2	BBB	Stable
RACQ Bank	A2	BBB+	Stable
Bank of China Limited	A1	A+	Stable
Lloyds Bank	A2	BBB+	Stable
Barclays Bank Plc	A2	BBB	Stable
Suncorp-Metway Ltd	A1	A	Stable
Bendigo and Adelaide (incl Rural Bank)	A2	BBB+	Stable
Bank of Queensland (BoQ)	A2	BBB+	Stable
Bank Australia	A2	BBB	Stable
Deutsche Bank AG	A2	A-	Stable
ING Bank	A2	A-	Stable

## APPENDIX D: APPROVED OPEN BANK ACCOUNTS AND SIGNATORIES

Bank	Account Name	Account type
Commonwealth Bank of Australia	Central Queensland University Bookshop	Sweep account into GF
Commonwealth Bank of Australia	Central Queensland University - Cap College 2	Sweep account into GF
Commonwealth Bank of Australia	Central Queensland University General Fund	Cheque account
Commonwealth Bank of Australia	CQU Travel Centre Pty Ltd	Interest Bearing Cheque Account
Commonwealth Bank of Australia	CQU Travel Centre Pty Ltd Trust Account	Trust Account
Commonwealth Bank of Australia	C Management Services	Interest Bearing Cheque Account

<b>CBA Corporate Cards Facility</b>		
Commonwealth Bank Business Card	\$3M	Main Corporate Card Facility
Commonwealth Bank Business Card	\$55K	Travel Centre Facility

### Investment accounts

Bank	Account Name	Account type
Queensland Treasury Corporation	Central Queensland University	Capital Guaranteed Cash Fund
Queensland Investment Corporation	Central Queensland University	QIC Growth Fund
Commonwealth Bank of Australia	Central Queensland University Cash Deposit Account	OnCall Investment account

### Signatories: Central Queensland University General Fund (any two signatories)

Vice Chancellor and President

Deputy Vice Chancellor (Finance and Planning)

Deputy Director, Corporate Budget

Deputy Director, Financial Accounting and Operations

Deputy Director, Planning, Risk and Analytics

#### QTC signatories - Category A

Deputy Vice Chancellor (Finance and Planning)

Deputy Director, Financial Accounting and Operations

Deputy Director, Corporate Budget

Deputy Director, Planning, Risk and Analytics

#### QTC signatories - Category B

Systems Accountant

Treasury Team Leader

Senior Financial Accountant

Finance Operations Manager

#### QIC Signatories - Category A

Deputy Vice Chancellor (Finance and Planning)

Deputy Director, Corporate Budget

#### QIC Signatories - Category B

Deputy Director, Financial Accounting and Operations

Senior Financial Accountant

## APPENDIX E: LIST OF APPROVED NET BANKING AUTHORISERS AND ROLES

<b>Roles</b>	<b>Users</b>	<b>A/c Name</b>	<b>Transactions</b>
<b>Accounts Payable</b>	Deputy Director Financial Accounting & Operations; Finance Operations Manager Processing Officer - Treasury x 2 Senior Financial Accountant Treasury Team Leader Accounts Processing Team Leader	Cash Deposit General Fund  Cap College	Money Market Stop Cheque Service International Money Transfer Direct Credit Stop Cheque Service
<b>Payroll</b>	Payroll Services Adviser Senior Payroll Services Officer - Salaries Deputy Director Financial Accounting & Operations; Senior Financial Accountant Senior Payroll Services Officer - Superannuation	Cash Deposit General Fund	Money Market Direct Credit
<b>Accounts Receivable</b>	Accounts Officer - Student Finance Finance Operations Manager Processing Officer Bank Reconciliation Treasury Team Leader Deputy Director Financial Accounting & Operations; Senior Financial Accountant Processing Officer - Student Finance	Cash Deposit CommWeb Aust Post Bpay  General Fund	Money Market
<b>Treasury</b>	Processing Officer Bank Reconciliation Treasury Team Leader	Cash Deposit Aust Post Bookshop Bpay Cap College General Fund	Money Market
<b>Foreign Markets - Creation</b>	Finance Operations Manager Processing Officer - Treasury x 2 Treasury Team Leader Accounts Processing Team Leader		Users can View and Create FX transactions
<b>Foreign Markets - Authorisation</b>	Finance Operations Manager Deputy Director Financial Accounting & Operations; Senior Financial Accountant Treasury Team Leader Accounts Processing Team Leader		Users can View and Authorise (Non CBA settlement instructions)
<b>Address Book</b>	Processing Officer - Treasury x 2 Senior Financial Accountant Finance Operations Manager Treasury Team Leader Accounts Processing Team Leader Deputy Director Financial Accounting & Operations;		Foreign Markets - Maintain Transaction Group Templates Maintain Address Books
<b>Administrator</b>	Treasury Team Leader Finance Operations Manager		