

NMIT TREASURY POLICY

MOKAMOKA WHAKAAETANGA | APPROVAL DETAILS

Section	Finance		
Approval Date	18.02.2026	Sponsor	Director Digital, Finance and Risk
Next Review	01.01.2029	Approved by	NMIT Council

NGĀ WHAKATIKATIKA | AMENDMENT HISTORY

Version	Effective Date	Created/ Reviewed by	Reason for review / comment
1	01.01.2026	Transition Lead	New

Mō wai me te whānuitanga | Audience and scope

This policy applies to:

- a) All employees of NMIT, including contracted staff and secondees providing services for NMIT; and those on fixed term contracts (may be collectively referred to as kaimahi in this policy); and
- b) All governors of NMIT including members and advisors of NMIT Council and governance committees or boards (collectively referred to as governors in this policy).

Te Pūtaki | Purpose

As part of its financial management responsibilities and good governance/operation of its activities, NMIT acknowledges its responsibility for the efficient and prudent management of its financial and treasury risks. This includes its activities associated with its treasury management function and comprises liquidity and cash management, cash and other treasury related investments, interest rate management, and foreign exchange management.

The Policy, and the associated Treasury Operations Manual (attached as Appendix), is intended for the use of those who operate, manage and have responsibility for the liquidity, interest rate and foreign exchange risk management activities within NMIT. Collectively the Policy and associated Manual provide the framework within which all financial risk management related treasury activities are conducted.

Investment Legislation

NMIT is required to comply with the following relevant legislation:

- Crown Entities Act 2004
- Education and Training Act 2020
- Public Finance Act 1989

Kaupapa Here | Policy Statements

NMIT is a publicly funded and accountable organisation. It must maintain its financial resources and manage its financial risks within a robust financial framework which ensures compliance with relevant legislation and restrictions and is cognisant of the expectations of a taxpayer funded organisation.

This is achieved through the management of cash flows and financial resources while minimising risk in accordance with relevant legislation and restrictions.

The over-arching objective of the Treasury Policy is to ensure that the NMIT's treasury operations are managed in an efficient, risk-averse, and non-speculative manner.

Specific objectives relating to each key risk area are as follows:

Treasury Management

NMIT will:

- conduct treasury management efficiently, and in a risk-averse and non-speculative manner
- ensure that all statutory and ministerial requirements of a financial nature are adhered to
- undertake all treasury related activity in accordance with the NMIT Delegations Policy.

Liquidity Risk

- Liquidity risk is managed to ensure that sufficient funds are available at all times to meet the NMIT's financial obligations in an orderly manner.

Interest Rate Risk

- Interest rate risk is managed to ensure an appropriate balance is maintained between:
 - minimising the long-term cost of funding, and
 - minimising the volatility of funding costs from year to year

Foreign Exchange Risk

- Foreign exchange risk is managed to minimise adverse variation to budget for approved expenditures.

Counterparty Credit Risk

- Counterparty credit risk is managed to maintain an acceptably low risk of the NMIT incurring a significant financial loss as a result of a counterparty's inability or unwillingness to meet its financial obligations.

Operational Risk

- Operational risk is managed to maintain an acceptably low risk of the NMIT incurring a significant financial and/or reputational loss as a result of fraud, error, negligence, or systems failure.

Reporting

- Reporting on treasury activities and risks (including compliance with the terms of this Policy) is compiled by suitably independent personnel and provided to the Senior Leadership Team (SLT) and NMIT Council on a regular basis.

Loss from Error and Fraud

- NMIT maintains appropriate internal controls, external contractual arrangements (eg. for outsourced treasury services), and staff competencies, to minimise the risk of loss from error and/or fraud.

Pūrongo me te Whakapūmau | Reporting and Assurance

Reporting will be in accordance with the requirements specified in Treasury Operations Manual attached to this policy (refer Appendix 1 – Schedule of Delegations).

Ngā Haepapa | Responsibilities

Role	Responsibilities
NMIT Council	<p>Members of NMIT Council have ultimate responsibility for ensuring that NMIT has an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable to NMIT given the underlying objectives of the organisation.</p> <p>The Council has responsibility for approving:</p> <ul style="list-style-type: none"> • The establishment of all new borrowing and funding arrangements for NMIT • The delegation of all risk limits to the Chief Executive Officer (CEO) and other management • The Council must ensure (either directly or through the Audit and Risk Committee) that: <ul style="list-style-type: none"> - it receives regular information from management on the debt position, cash investments, liquidity and interest rate risk profile that confirms compliance to Policy limits and results achieved. - issues raised by auditors (both internal and external) in respect of significant weaknesses in the treasury area are resolved and/or a plan to resolve is agreed immediately, and - it has some understanding of the day-to-day risk management procedures in place within NMIT
Risk and Audit Committee	<p>The Risk and Audit Committee acts as a review and recommendation function between the Council and Management.</p>
Finance Director (or equivalent role title)	<p>The Finance Director (FD) is the most senior person within NMIT holding delegated responsibility for the financial management of the organisation and overseeing the treasury process and reporting to the CEO and Risk and Audit Committee/NMIT Council.</p> <p>The FD may in turn delegate treasury support tasks to other employees in accordance with the overall Treasury policy.</p> <p>Specific FD responsibilities:</p> <ul style="list-style-type: none"> • Conduct the periodic policy review and recommend any changes to Policy / procedure which may arise from such review to the Council (or its delegated committee) • Propose new debt funding arrangements to the Council (or its delegated committee) for approval • Negotiation and on-going management of Council (or its delegated committee) approved debt funding arrangements • Liaise with the TEC or other central agency representatives in terms of the timing and amount of new loan drawdowns, loan repayments and re-financing of existing loans as is required from time to time. • Instruct on the term and interest rate basis (fixed or floating) of new loans.

	<ul style="list-style-type: none"> • Complete new loan applications and negotiating loan documentation and ensuring appropriate Council (or its delegated committee) approvals are in place for any new loans. • Monitor all treasury exposures against Policy limits and review/update the Treasury Policy within agreed timeframes and obtain Council (or its delegated committee) approval. • Manage NMIT's short and long term liquidity profile within Policy limits, including managing relationships with outsourced Treasury Services providers where necessary. • Approve any pre-hedging of interest rate re-pricing risk on fixed rate loans maturing within the next 12 months. Pre-hedging beyond 12 months requires prior Council (or its delegated committee) approval. • In conjunction with the CEO, authorise the opening and closing of all bank accounts • Ensure that any lender or other stakeholder covenants are adhered to at all times • Report to the CEO and Council (or its delegated committee) on all treasury activities on a timely basis (including ad hoc disclosure of significant treasury events) • Negotiate, manage and monitor the performance of external contractual arrangements • Ensure that all management functions reporting to the FD have the appropriate capabilities, skills, and training to carry out their treasury tasks and responsibilities
Finance Team	<p>Specific Finance team responsibilities:</p> <ul style="list-style-type: none"> • Manage the operation of all bank accounts including managing and completing all bank reconciliations • Process and record banking transactions for NMIT • Make term deposits when instructed by the FD • Deal capture and confirmation checking • Cashflow forecasting • Arrange valuations of financial instruments as necessary • Payments and receipt authorisations for bank account operations • Manage the day-to-day relationships with banking counterparties, Treasury Advisors and other relevant treasury stakeholders • Confirmation of loan interest and principal payments/receipts to the relevant Crown agency as is required from time to time • Ensure management procedures are implemented in accordance with this Policy • Other treasury duties as specifically delegated by the FD

Ngā Hononga ki Tuhinga kē | Links to other documents

NGĀ KAUPAPA-HERE E HANGAI ANA | RELATED POLICIES

NMIT Delegations Policy

NMIT Sensitive Expenditure Policy

TURE WHAI TAKE | RELEVANT LEGISLATION

[Public Finance Act 1989](#) [Education and Training Act 2020](#)

[Crown Entities Act 2004](#)

[Public Records Act 2005](#)

1. NMIT Treasury Operations Manual

Appendix 1. Treasury Operations Manual

The following sections specify the processes, procedures and requirements for the implementation of the Treasury Policy.

TABLE OF CONTENTS/SECTIONS

- Liquidity risk management
- Interest rate risk
- Currency/foreign exchange risk management
- Counterparty credit risk
- Operational procedures and internal controls
- Attachment A – Schedule of delegations

Definition

Liquidity Risk is the risk that:

- In the long-term, inadequate funds exist to support required capital investment and/or re-finance existing long-term debt as it matures
- In the short-term, inadequate funds exist to meet current commitments (forecast and unforeseen) as they fall due
- The objective of Policy is to manage Liquidity Risk, to ensure that sufficient funds are available at all times to meet the NMIT's financial obligations in an orderly manner.
- Although not strictly a liquidity issue, NMIT also faces the risk that its debt and/or other balance sheet decisions may breach financial covenants imposed by its lenders.

Short-Term Liquidity Risk

Short-term liquidity management requires that adequate funds are available to meet day-to-day cash requirements of NMIT.

The objective is to ensure that any unforeseen event does not result in a short-term cash crisis and financial pressure on NMIT.

Prudent liquidity and cash management involves the monitoring of cash flows, management of bank accounts and treasury investment amounts and availability of unused committed bank facilities.

Costs associated with short-term liquidity management should be minimised. (*Refer to cash management section.*)

Long-Term Liquidity Risk

NMIT's long-term liquidity risk is lower than that of other organisations of similar size and credit rating, because there is no long-term borrowing and this is not expected to change in the foreseeable future.

Should NMIT have long-term borrowings in the future then diversification of long-term debt maturities is desirable to minimise the risk that unforeseen market dislocations could result in increased difficulty and/or cost in long-term debt re-financing. Selected maturities should recognise that Government access to funding (and therefore lend) beyond 5 years is improved if its loans to ITPs match the maturity dates of existing NZ government bond issues.

Policy

All new loans (including re-financing and roll-over of existing loans) shall be approved by the NMIT Council prior to execution.

NMIT's long-term debt maturities shall be diversified over a 15-year horizon, subject to the limits contained in this Policy.

All borrowings from the appropriate agency shall (where practicable) mature on the same date as an existing government bond maturity.

Lender Covenants

NMIT's ability to divest assets into subsidiaries or other entities may be restricted by covenants given to the ITP sector or other crown agency as applicable to the public sector. At the time of this Policy creation there are no core debt facilities and therefore there are no current lender covenants applicable.

Cash Management

Day to day cash management is conducted by the finance team within NMIT. The finance team is responsible for:

- Ensuring efficient cash management through improvement to accurate forecasting using spreadsheet modelling and applying models of monthly cash cycles and patterns.
- Matching future cashflows to smooth overall timeline.
- Minimising working capital by ensuring payments are made within trade creditor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.
- Placing surplus cash funds on deposit with an approved financial institution.

Cash investments made have the primary objective of the protection of invested capital and that a prudent approach to risk / return is always applied within the confines of this policy. Accordingly, NMIT may only invest in approved creditworthy counterparties defined within this Policy.

NMIT will act effectively and appropriately to ensure treasury investments are arranged to provide sufficient liquid funds for planned expenditures and allow for the payment of obligations as they fall due.

Policy

The following interest rate re-pricing percentages are calculated on the projected cash funds available for investment requirements over the next financial year.

Investment Portfolio Limits		
Period	Minimum Limit	Maximum Limit
12 – 24 months	40%	100%
24 – 36 months	0%	60%
36 – 60 months *	0%	30%

**Investments in the 36 - 60 month maturity bracket may only be considered when long-term cash forecasts fully support this time horizon.*

The policy limits are designed to optimise investment returns while sufficiently managing interest rate risk and future cash-flow requirements.

Allowable instruments

Cash investments outside the daily sweep arrangement (up to the limit advised by NZHP) can be invested in the following:

- New Zealand Registered Bank bills
- Bank term/call deposits in a New Zealand Registered Bank
- New Zealand Registered Bank certificates of deposit (RCD)
- New Zealand Registered Treasury bills
- New Zealand Government Bonds
- Fixed Interest Securities issued by a New Zealand Registered Bank

Any other financial instrument must be specifically approved by the Council or its delegated committee.

All investments must be denominated in New Zealand Dollars.

INTEREST RATE RISK

Definition

Interest Rate Risk is the risk that, as a result of adverse market movements, NMIT experiences:

- Unacceptable variation in its cost of debt funding from year to year, and / or
- Unacceptable variation in its cost of debt funding compared to Budget

The objective of the Policy is to manage Interest Rate Risk, to ensure that an appropriate balance is maintained between minimising the long-term cost of debt funding and minimising the volatility of funding costs from year to year.

Interest Rate Risk

NMIT does not currently have a long-term borrowing portfolio. The following provides the policy settings should this position change in the future.

NMIT reduces and mitigates risk to adverse market interest rate movements by spreading its fixed rate loan maturities over a 10 year period. In this manner the interest rate re-pricing risk on new loans and maturing loans being refinanced is minimised.

Policy

All NMIT debt shall be borrowed on either a fixed interest rate or floating interest rate basis, subject to the requirement that the overall percentage of fixed (fixed/floating master limit) in any time bucket must be in accordance with the limits in the following table.

Master fixed/floating risk control limit		
Minimum rate	Mid-point	Maximum fixed rate
60%	80%	100%

The fixed rate amount at financial year end must be within the following maturity bands (percentages calculated on the fixed rate amount at month end):

Fixed rate maturity profile			
Period	Minimum fixing	Mid-point	Maximum fixing
0 – 3 years	10%	40%	70%
3 – 5 years	10%	40%	70%
5 – 10 years	10%	40%	70%

- NMIT's interest rate risk in any period shall be measured as the dollar amount of gross interest rate repricing in that period
- Working capital borrowings (i.e. all floating rate debt) and surplus cash at hand specifically maintained for liquidity management purpose shall be excluded from interest rate risk management policy restrictions

- NMH reduces and mitigates risk to adverse market interest rate movements by spreading its fixed rate loan maturities over a 10 year period. In this manner the interest rate re-pricing risk on new loans and maturing loans being refinanced is minimised.
- Where a specific interest rate re-pricing risk exists (e.g. the “rolling-over” of an existing loan maturity, or the drawing of a new loan), then this risk may be “pre-hedged” (in whole or in part) for the purposes of creating Budget certainty, PROVIDED THAT:
 - (in the case of existing debt maturities) only loans maturing within the coming 12 months may be “pre-hedged” without the prior approval of the Council. Pre-hedging beyond 12 months requires prior Council or its delegated committee approval.
 - (in the case of expected new borrowing arising from a capital project) “pre-hedging” may only be undertaken consistent with a strategy approved by the Council at or around the time of project approval

Use of Interest Rate Derivatives

Use of interest rate derivatives is permitted, where they are entered into with the intention of:

- Maintaining interest rate risk exposure within Policy limits; OR
- Securing interest costs within budgeted levels (for example, a derivative may be used to effectively pre-hedge (i.e. “lock in”) the interest rate of a large maturity scheduled for re-financing during the financial year, in order to improve Annual Plan financial forecasts).
- Pre-hedge the interest rate risk on a forecast new debt drawdown in advance of the physical drawdown date to determine the interest rate rather than accepting the market rate on the day.
- Pre-hedge the interest rate risk on a re-financing of an existing fixed rate loan in the same manner as above.
- Re-profile the interest rate risk where there is a large loan maturity concentrated on one day or period.

Policy

The following policy requirements must be adhered to when any interest rate derivative is utilised:

- Derivative instruments may be used to maintain interest risk exposure within Policy limits, or to secure forecast interest costs within budgeted levels
- Permitted derivative instruments for such purposes are restricted to:
 - Forward Rate Agreements on NZ Government Bonds (“Bond FRA’s”)
 - Purchased options on NZ Government Bonds
- The following activities are prohibited:
 - Use of interest rate derivatives for speculative purposes
 - Use of structured, leveraged, or non-standard arrangements

CURRENCY/FOREIGN EXCHANGE RISK MANAGEMENT

Definition

Currency/Foreign Exchange Risk is the risk that, as a result of adverse market movements, NMIT experiences:

- Unacceptable variation in total operating cost compared to Budget, or
- Unacceptable variation in the cost of a specific project compared to Budget.

The objective of Policy is to manage Foreign Exchange Risk, to ensure that adverse variation to budget for approved expenditures is minimised.

Risk Recognition & Hedging

Foreign Exchange (FX) exposures are recognised as follows:

- For capital items, where a specific known item of sufficient magnitude exists
- For operational purchasing, where the expected monthly sum of purchasing exceeds a threshold amount

Where Foreign Exchange exposure is to be hedged, then a graded scale, depending on the certainty of exposure (e.g. general budget approval vs specific purchase order) shall be used.

Policy

- FX risk arising from capital expenditures is recognised and hedged in accordance with the following table:

Time - Point	Exposure covered by forward exchange contracts	Exposure covered by purchased foreign exchange contracts
1. Capex budget approved		Maximum 50%
2. Specific item approved		Maximum 100%
3. Purchase order made	Minimum 100%	

- Only approved hedging products as follows may be used:
 - Spot foreign exchange contracts.
 - Forward foreign exchange contracts.
 - Forward foreign exchange options (purchased only).
 - Foreign currency bank deposits.

COUNTERPARTY CREDIT RISK

Definition

Counterparty Credit Risk is the risk that the NMIT incurs a financial loss as a result of a counterparty's inability or unwillingness to meet its financial obligations.

The objective of Policy is to manage Counterparty Credit Risk, to ensure that the NMIT's exposure to financial loss is acceptably low.

Risk Recognition and Management

Credit risk typically arises from cash balances, investments, financial derivative contracts, and debtors. Risk is controlled by (where possible) only transacting with counterparties with a certain minimum credit rating, and by limiting the extent of exposure to each counterparty.

Policy

- NMIT's maximum credit risk exposure to any other counterparty shall not exceed 15% of NMIT's Crown Equity. The exception is New Zealand Government debt securities.
- Maximum credit limits are approved on the basis of long-term credit ratings (Standard & Poor or Moody). Approved counterparties must have a minimum long-term rating of A- (S & P's) or A3 (Moody's) or other equivalent (except an entity whose "A-" rating is also on "negative watch" shall not be acceptable). Minimum short-term ratings required are A-1 (S & P's) or Prime-1 (Moody's).
- Credit exposure arising from short-term investments and financial derivative transactions (if any) shall be calculated as:
 - Money Market (e.g. Bank Deposits, Investments) – Transaction principal amount × Weighting 100%.
 - For FX derivatives: (notional NZ\$ amount) x (maturity in years) x 8%
 - For interest rate derivatives: (notional NZ\$ amount) x (maturity in years) x 4%

Approved Counterparty Schedule

The following entities have been approved by the Council as at the date of this Policy document:

Counterparty / issuer	Current credit rating (bank minimum long-term A-, minimum short-term A-1)	Investments maximum per counterparty (\$m)	Maximum % of NMIT's Crown Equity
NZ Government	AA+/A-1+	Unlimited	100%
NZ Registered Banks	AA-/A-1+	20.0	15%
	A+/A-	10.0	10%

The maximum amount of assessed credit exposure permitted as at the date of this Policy document is \$20 million per counterparty (being 15% of NMIT's crown equity funds as at the most recent Annual Report).

Policy

- NMIT's counterparty credit exposure (including confirmation of credit ratings) shall be assessed as at each month end
- The Schedule of approved counterparties shall be reviewed by the Council or its delegated committee at least biennially

OPERATIONAL PROCEDURES AND INTERNAL CONTROLS

Definition

Operational Risk (in respect of treasury management) is the risk that NMIT incurs a financial and/or reputational loss as a result of human error, fraud, negligence, or systems failures.

The objective of Policy is to manage Operational Risk, to ensure that NMIT's exposure to financial and/or reputational loss is acceptably low.

Management

Operational risk is typically managed through:

- The structural separation of duties (e.g. between execution of transactions, cash payments & receipts, and reporting),
- The bi-lateral requirement for all transactions to be based on standard payment details (and/or other written instruction),
- The maintenance of adequate information systems to capture transactions and report on exposures, and
- Regular internal and external auditing.

Legal Risk

Legal and regulatory risks relate to the unenforceability of a treasury transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation, the constitution of the company, shareholder agreements or trust deeds. Whilst legal risks are more relevant for banks, NMIT may be exposed to such risks in that if NMIT is unable to enforce its rights due to deficient or inaccurate documentation.

NMIT will seek to minimise this risk by:

- Ensuring all NMIT authorities in regard to treasury transactions are approved as required by legislation.
- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- Approved bank counterparties are sent an up to date list of persons authorised to undertake treasury transactions on behalf of NMIT on an annual basis or where there is a personnel change.
- The matching of third-party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

Financial Covenants and Other Obligations

NMIT must not enter into any transactions where it would cause a breach of bank, TEC or other financial covenants/ratios under existing contractual arrangements.

Any forecast technical breach of covenants/ratios must be immediately notified to NMIT Chief Executive Officer and a strategy implemented to ensure an appropriate remedy (e.g. waivers, amendments) is satisfactorily agreed with the affected party.

NMIT must comply with all obligations and reporting requirements under existing funding/lending facilities and legislative requirements.

Risk Recognition and Management

Risk in relation to guarantees and indemnities arises day-to-day in contracts received from funders seeking services from NMIT, for example TEC, and from providers of goods and services funded or purchased by NMIT.

Policy

- Only the NMIT Council or its delegated committee may approve the granting of a guarantee.
- NMIT will only enter into indemnities permitted by regulation 14 of the Crown Entities (Financial Powers) Regulations 2005 (or any regulation promulgated in substitution thereto) or permitted by any of the alternatives set out in s160 of the Crown Entities Act ('lawful indemnities').
- The delegated authorities as set out in the Delegation Policy from time to time shall encompass the giving of lawful indemnities which are consistent with normal commercial practice.
- Only the Council or its delegated committee may approve the entering into of a lawful indemnity which is irregular or inverts normal commercial practice. For example it would be unusual or irregular for a funder to indemnify a provider.
- No indemnity is to be entered into without the prior confirmation by the Finance Director that it is both a lawful indemnity and, where being given under the Delegation of Authority, consistent with normal commercial practice.

Register of Guarantees and Indemnities

The Finance Director shall keep a register of all guarantees and those indemnities approved by the Council or its delegated committee which are irregular or invert normal commercial practice. Lawful indemnities which are consistent with normal commercial practice, whether approved under delegated authority or by the Council, will not be entered into the register.

Delegation Limits

The table, included as Attachment A, shows the delegations provided under this Policy and should be read in conjunction with the Delegations Policy. Where a conflict exists between the delegations in this Policy and those provided for in the Delegations Policy, the Delegations Policy shall take precedent.

Reporting

The Finance Director shall regularly report to the Council or its delegated committee on all treasury function activities. This will include:

- Any borrowing activities and the interest rate spreads applied
- Cash and other financial instrument investments
- Results of hedging activities undertaken for interest rate and foreign exchange
- Liquidity position and the projected cash position

Attachment A – Schedule of Delegations

Delegation	Sub-Delegate	NMIT Council	Chief Executive Officer	Finance Director	Other
Determine bank accounts	N	✓	✓	✓	
Determine overdraft/working capital facilities	N	✓	✓	✓	
Determine bank signatories	N	✓	✓	✓	
Crown Equity:					
• Draw down of Crown Equity	N	✓	✓	✓	
• Repayment of Crown Equity	N	✓	✓	✓	
Core Term Debt:					
• New Crown debt draw down	N	✓			Note there is no current Crown issued debt
• New finance lease arrangement draw down	N	✓	\$500K	\$200K	Value is to the total debt limit
• New EECA loan draw down	N	✓	✓	✓	
• Rollover of existing debt	N	✓			Note there is no current Crown issued debt
• Repayment of core Crown debt	N	✓			Note there is no current Crown issued debt

• Change of core Crown debt terms (including interest rate rollovers)	N	✓			Note there is no current Crown issued debt
• Interest rate hedging derivatives	N	✓			
Foreign exchange (purchasing and hedging)	N	✓	✓	✓	
Credit and purchasing cards issuance	N	✓	✓	✓	
Daily Cash Flow / Short-Term Liquidity					
• Draw down of approved overdraft / working capital facility within approved limit	N	✓	✓	✓	Senior Finance Administrator
• Investment of surplus cash	Y	✓	✓	✓	Senior Finance Administrator
• Rollover of invested cash	Y	✓	✓	✓	Senior Finance Administrator