

Case study

Managing multi-agency foreign exchange risk in Information and Communications Technology

Issue

Information and Communications Technology (ICT) procurement contracts expose NSW Government agencies to billions of dollars of foreign exchange (FX) risk due to the predominantly offshore origin of goods and services. This exposure can lead to significant budget volatility.

The NSW Government's Beyond Digital Strategy aims to create a leading customer-centric, digitally enabled government. As a result, more agencies are becoming exposed to this risk through the uptake of cloud services.

Changes to the ICT procurement framework have enabled agencies to proactively manage their FX risk by asking for quotes in the supplier's native currency.

How we helped

Applying a whole-of-government lens, TCorp analysed NSW's historical contract data to identify ICT procurement contracts as a major opportunity to reduce potential FX exposure.

We partnered with Digital NSW and NSW Treasury to remove the former constraints against purchasing in currencies other than AUD and hedging the associated FX risk. By incorporating this into the new ICT framework in September 2021, NSW Government agencies are now able to expose embedded FX risk and take advantage of potentially cheaper native currency pricing as part of ICT procurement.

TCorp was able to devise high impact and long-term FX hedging strategies to reduce budget volatility and manage risk for NSW Government agencies procuring ICT-related goods, services, and licenses from offshore.

We partnered with several agencies, including Transport for NSW, NSW Health, Department of Customer Service, and Department of Education, to hedge their significant FX exposure which resulted from cloud services procured from Amazon Web Services. The adoption of cloud services and storage contributes towards the modernisation of service delivery and drives better outcomes for the people of NSW.

Through managing and mitigating financial risk, agencies were able to manage their procurement budget efficiently, in compliance with NSW Treasury's Financial Risk Management Policy and the NSW Government Procurement Policy Framework.

TCorp's expertise has also helped various agencies explore efficient pricing opportunities and manage their embedded FX exposures in other ICT categories such as cybersecurity, digital licensing, digital education, networking, hardware, and software. These FX exposures are growing annually, and our support and collaboration remain ongoing.

About TCorp

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$106.2 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$148.6 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.

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