

**Clydesdale Housing Association**

**Policy name & number**

**01 - Finance  
Treasury Management Policy**

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**Policy by**

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# **TREASURY MANAGEMENT POLICY**

**December 2022**

**TREASURY MANAGEMENT POLICY**

**TREASURY MANAGEMENT POLICY**

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## TREASURY MANAGEMENT POLICY

### 1. Introduction

- 1.1. This is the Treasury Management Policy of Clydesdale Housing Association Ltd.
- 1.2. It is intended to ensure that the treasury management activities of CHA are managed and controlled appropriately, and in a manner that complies with best practice, as set out in the CIPFA Code of Practice for Treasury Management in the Public Services<sup>1</sup> (the Code) and in line with the expectations of the Scottish Housing Regulator (SHR) as set out in the Standards of Governance and Financial Management.
- 1.3. The Policy is designed to meet the requirements of:
  - CIPFA's Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes (2021 Edition) ('The CIPFA Code').
  - The Scottish Housing Regulator's (SHR) Business Planning Recommended Practice (December 2015.)
  - Scottish Housing Regulator Regulation of Social Housing in Scotland: Our Framework, (February 2019) Standards of Governance and Financial Management.
  - The Rules of the Association
- 1.4. It is supported by:
  - Documented delegation of specific reporting, decision making and control authorities by the Management Committee to the Audit and Risk Committee (ARC), the Chief Executive (CEO) and the Finance Manager (FM)
  - Assessment of Treasury Risks within the CHA Risk Map and management programme, which is considered quarterly and reviewed in depth annually as part of the business planning process
  - A schedule of relevant data, maintained by the FM within the Long Term Financial Plan and reported annually to the Management Committee with the Treasury Management Strategy
  - Relevant sections of the Job Description and Person Specification for the CEO and FM posts
  - Detailed procedure notes for specific processes and controls, under the control of FM.
- 1.5. The Policy is structured around the 12 Treasury Management Practices (TMP) set out in the CIPFA Code. Each of section of the Policy begins with a policy objective based closely on the CIPFA Code.

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<sup>1</sup><https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

## TREASURY MANAGEMENT POLICY

### **Policy Statement**

1. *Clydesdale Housing Association ('CHA' or 'the Association') defines its treasury management activities as the management of the Association's borrowing, investments and cashflows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*
2. *The Association acknowledges that*
  - *it must put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.*
  - *the effective management and control of risk are prime objectives of the Association's treasury management activities and that responsibility for these lies clearly within the Association.*
  - *appetite for risk should form part of the annual strategy including any use of financial instruments for the prudent management of those risks, that priority should be given to effective risk management over optimum performance, and the treasury management policies and practices should reflect this.*
3. *The Association will therefore maintain, as the cornerstones for effective treasury and investment management:*
  - *a Treasury Management Policy (the Policy) stating the policies, objectives and approach to risk management of its treasury management activities*
  - *suitable treasury management practices (TMPs) setting out the manner in which it will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities*
  - *investment management practices (IMPs) for investments that are not for treasury management purposes.*
4. *The content of the policy statement, TMPs and IMPs follow the recommendations of the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of CHA. Such amendments will not result in CHA materially deviating from the CIPFA Code's key principles.*
5. *The Management Committee will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan by 31 May each year, a mid-year review and an annual report after its close in the form prescribed in the TMPs and IMPs.*

## TREASURY MANAGEMENT POLICY

6. *The Management Committee of CHA retains responsibility for the implementation and regular monitoring of its treasury management policies and practices, and delegates responsibility for the execution and administration of treasury management decisions to CEO and FM, who will act in accordance with the Association's policy statement, TMPs and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management, or other relevant professional standards.*
7. *CHA nominates ARC to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.*
8. *Amendments to the Policy require Management Committee approval*

## TREASURY MANAGEMENT POLICY

### 2. Policy Definition and Objectives

- 2.1. CHA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for CHA and any financial instruments entered into to manage these risks.
- 2.2. CHA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

### Policy Structure

- 2.3. The Policy is structured to follow the CIPFA Code, with sections relating to each of the 12 Treasury Management Practices (TMPs) identified in the Code.

<b>TMP 1</b>	Risk management, with TMP1.1 to 1.9 providing fuller detail on each of the risks set out in the Code
<b>TMP 2</b>	Performance measurement
<b>TMP 3</b>	Decision making and analysis
<b>TMP 4</b>	Approved instruments, methods and techniques
<b>TMP 5</b>	Organisation, clarity and segregation of responsibilities and dealing arrangements
<b>TMP 6</b>	Reporting requirements and management information arrangements
<b>TMP 7</b>	Budgeting, accounting and audit arrangements
<b>TMP 8</b>	Cash and cashflow management
<b>TMP 9</b>	Money laundering
<b>TMP 10</b>	Training and qualifications
<b>TMP 11</b>	Use of external service providers
<b>TMP 12</b>	Corporate governance

- 2.4. The Policy is supported where appropriate by detailed procedure notes for staff involved in particular transactions.

## TREASURY MANAGEMENT POLICY

### 3. TMP 1 – Risk Management

#### General Statement of Risk Management

- 3.1. The CEO and FM will prepare and present to the Management Committee a Treasury Management Strategy (TMS) annually, and at the point of completion of any new or revised loan agreement.
- 3.2. The TMS will include a summary of treasury management activity in the preceding financial year and the current financial year, covering:
  - Loan drawdowns in the preceding 12 months, and projected drawdowns for the next 12 months
  - Loan repayments in the preceding 12 months, and projected repayments for the next 12 months
  - A summary of the interest rate position between fixed (including interest free) and floating rate debt in the current loan portfolio, and any changes to interest rate structure on existing loans, such as maturing or new loan fixes
  - Statement of actual and projected covenant compliance and headroom for all covenants for all lenders
  - Summary of loan security position
  - Summary of cash deposit position and activity in the preceding year
  - A relevant extract from the current CHA Risk Map, highlighting appraisal of treasury management risks and any significant changes to treasury risk assessment
- 3.3. The TMS will include forecast cashflows for at least three financial years, as well as
  - analysis of current prevailing short and long-term interest rates, comparison with historical trends and projected trend movements over the next financial year. This data will be supported with externally gathered expert opinion
  - a recommendation as to the mix of fixed and variable interest rates to apply across CHA's debt portfolio at the end of the next financial year
  - a statement of borrowing requirements and maturing facilities for at least the next three years together with a strategy for funding or refinancing this requirement highlighting currently unarranged funding needs
  - a statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next 12 months
  - any proposals for amendments to this Treasury Management Policy Statement, including the Golden Rules, which will require Management Committee approval.



## TREASURY MANAGEMENT POLICY

3.4. The FM will:

- design, implement and monitor arrangements for the identification, management and control of treasury management risk within the overall CHA risk management approach
- report to the CEO, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving CHA's objectives in this respect, including compliance with the terms of loan agreements and identification of any actual or potential event of default

3.5. Long term (at least 5 and preferably 10 years) cashflow forecasts with identified treasury management implications will be included in the annual Long Term Financial (LTFP) Plan prepared for Management Committee approval.

3.6. Significant variations to cashflow forecasts will be reported to the Management Committee on a quarterly basis, highlighting any significant variations from the LTFP, and any impact on projected borrowing requirements, loan repayments, fixed rate maturities or surplus cash balances

3.7. All of the above will be in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements.

### Treasury Management Practices

3.8. CHA has adopted a detailed Risk Management Statement set out below for each of the Treasury Management Risks identified in the CIPFA Code:

<b>TMP 1.1</b>	Lending and Deposit Counterparties Risk
<b>TMP 1.2</b>	Liquidity Risk Management
<b>TMP 1.3</b>	Interest Rate Risk
<b>TMP 1.4</b>	Exchange Rate Risk
<b>TMP 1.5</b>	Inflation Risk
<b>TMP 1.6</b>	Refinancing Risk
<b>TMP 1.7</b>	Legal and Regulatory Framework
<b>TMP 1.8</b>	Operational Risk, including fraud, error and corruption
<b>TMP 1.9</b>	Price Risk

## TREASURY MANAGEMENT POLICY

### TMP 1.1: Lending and Deposit Counterparties Risk

3.9. CHA will only borrow from or invest with Counterparties who meet the definitions below. These definitions may only be altered with the prior approval of the Management Committee

#### Lending Counterparties

3.10. CHA may borrow from:

- a. Banks and building societies authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, or their EU equivalent for European Banks; these may be High Street lenders or smaller specialist providers
- b. Financial institutions (such as pension funds and insurance companies) through public bond issues, private placements or bilateral loans;
- c. Specialist Bond aggregators operating in the social housing sector
- d. Scottish or UK Government supported and underwritten initiatives such as the Scottish Charitable Bond programme and the HEEPS scheme
- e. Local, Scottish or UK Government

3.11. Loan facilities will be arranged only with organisations that are judged to have sufficient financial strength to ensure that the funds committed under the facilities will be available as and when they are required by CHA in accordance with the terms of the loan agreement.

3.12. Where a lender has published credit ratings from the recognised market agencies, these will normally be at least investment grade as set out below, unless otherwise approved by the Management Committee:

	Minimum Short Term Rating	Minimum Long Term Rating
Moody's	P-1	A3
Standard & Poor's	A-1	A-
Fitch Ratings	F1	A-

3.13. Where a lender does not have a published credit rating, the Management Committee will be advised by FM of the assessment of the financial strength of the proposed lender, including any external advice taken.

3.14. Regardless of size, lenders will be expected to demonstrate a track record and expertise in supporting social housing, and be able to demonstrate a long term commitment to the Scottish social housing sector.

## TREASURY MANAGEMENT POLICY

### Investment Counterparties

3.15. The following are approved investment counterparties:

- a. Deposits with banks and building societies authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority, or their EU equivalent for European Banks, and recognised by the PRA as of systemic importance; as at October 2022, the list of systemically important institutions is available here - [2022 list of UK firms designated as other systemically important institutions \(O-SIIs\) | Bank of England](#)
- b. Deposits will be limited to a maximum duration of one year
- c. Loans to local authorities with credit ratings no lower than the UK government's
- d. UK and Scottish government and local authority securities (treasury bills and gilts)

### TMP 1.2: Liquidity Risk Management

- 3.16. CHA will ensure that it is able to meet its liabilities at all times. The FM will ensure that sufficient cash balances and available facilities exist for this purpose.
- 3.17. CHA will consider and manage liquidity in two ways:
  - Short term **Operational Liquidity**, which will ensure that sufficient liquidity is maintained to meet short term funding needs
  - Long term **Capital Liquidity**, which will ensure that sufficient liquidity is maintained to fund projected commitments for 24 months from the current date
- 3.18. The principal factor governing the exposure of surplus funds is CHA's liquidity forecast. Where surplus funds are required to meet possible cash outflows in the near future, they will necessarily be deposited for short periods which will ensure that funds are available when required.
- 3.19. The Management Committee will approve minimum liquidity requirements as part of the TMS but will not approve a requirement which falls below the minimum levels calculated as follows.
- 3.20. **Operational Liquidity** is defined as requiring liquid funds to be at least equal to one month's operational expenditure, including unavoidable
  - staff and overhead costs;
  - revenue, void and major repair (including component replacement) costs;
  - loan interest and repayments

## TREASURY MANAGEMENT POLICY

3.21. CHA defines Liquid Funds as including:

- Cash at bank
- Cash on deposit which is available at no more than three days' notice
- Confirmed but undrawn Overdraft facilities

3.22. The measurement excludes all cash receipts except maturing bank deposits. The calculation should assume that grant and sales income does not occur when planned. The calculation will be reviewed and updated when the LTFP is updated. Operational liquidity must be equal to the forecast cash outflow for the next calendar month, plus a contingency (or 'buffer') of 25%.

3.23. This approach gives the following calculation from the 20224/25 Long Term Financial Plan approved in May 2024, for the 12 months from April 2024 to March 2025:

Costs	£
Staff and Overhead Costs	1,395,223
Revenue, Void and Planned Repairs	1,024,217
Component Replacement Costs	1,969,808
Loan Interest and Repayments	402,278
	4,791,526
One Month	399,294
Add Buffer	499,117

3.24. This means a minimum cash holding of £500k is required for the 2024/25 financial year.

3.25. **Capital Liquidity** is defined as requiring access to funds at least equal to all cashflow projected in the 24 months from the projection date, with the exception of any sales income and capital grant income, on the assumption that receipts and expenditure occur as projected

3.26. CHA defines funds for Capital Liquidity as including:

- Cash balances and investments (including deposits with a maturity or notice period)
- Confirmed but undrawn overdraft facilities
- Committed and fully secured but undrawn loan facilities

## TREASURY MANAGEMENT POLICY

- 3.27. At May 2024, this equated to approximately £1.2m, assuming component replacement spend occurs evenly across the 2024/25 and 2025/26 financial years.
- 3.28. Available funds at May 2024 were approximately £4.9m.

### **TMP 1.3: Interest Rate**

- 3.29. The TMS will consider the sensitivity of CHA's loan portfolio to interest rate changes in order to determine the proportion of debt to be secured on a variable basis. When drafting the TMS, FM will consider the current levels of short term and long term interest rates and independent forecasts of future changes in interest rates, and prepare a recommendation for approval by the Management Committee on the maximum proportion of CHA's total borrowing which is subject to variable rates of interest. Unless otherwise approved by the Management Committee, CHA will ensure that the proportion of total outstanding debt which is exposed to variable costs of funds, including Bank and Building Society Base, SONIA and index linked rates, is no higher than 40% at any one time. Debt which is interest free is regarded as fixed for this purpose. Debt which is on a fixed rate arrangement that expires in less than 12 months must be regarded as variable for this purpose.
- 3.30. In preparing the TMS, FM will consider the aggregate of all available funds, borrowings and accounts operated by CHA.

### **TMP 1.4: Exchange Rate Risk**

- 3.31. CHA will not invest or borrow in any currency except UK Pounds Sterling. This will eliminate any exchange rate risk

### **TMP 1.5: Inflation Risk**

- 3.32. Inflation risk is the risk that arises from the decline in value of cashflows due to inflation. CHA will keep under review the sensitivity of its loans and deposits to inflation, and will seek to manage the risk accordingly in the context of the whole business's inflation exposures.

### **TMP 1.6: Refinancing Risk**

- 3.33. CHA's current loan portfolio is structured so as to ensure that it will be able to meet all repayments of principal under the loans as required under the relevant loan documentation, CHA can comply with loan covenants and CHA is not exposed to significant refinancing risk.
- 3.34. CHA will not enter into development or other commitments without having sufficient committed loan facilities in place to cover the resulting borrowing requirement.

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- 3.35. FM will ensure that proposals from lenders to provide appropriate loan facilities to meet identified funding requirements are brought before the Management Committee in sufficient time to enable due consideration to be given to them, and to ensure that loan facilities are put into place before additional funds need to be drawn. In doing so, at least 18 months should be allowed for completion of a new loan agreement and security with a new lender. FM may seek external advice in developing, assessing and selecting funding proposals.
- 3.36. FM is responsible for ensuring that any accounting or compliance issues or concerns arising from a potential transaction are fully understood and explained to the Management Committee prior to approval of the transaction.

### **TMP 1.7: Legal and Regulatory Framework**

- 3.37. FM is responsible for ensuring that any borrowing or investment transaction is permitted by CHA's Rules and Financial Regulations, and is not in breach of any applicable statutory or regulatory requirements, including but not limited to charity law, SHR requirements and FCA requirements, and that any necessary consents are obtained. The FM is empowered to take appropriate external advice as required to satisfy this.

### **TMP 1.8: Operational Risk, including fraud, error and corruption**

- 3.38. FM is responsible for developing, maintaining and enforcing an effective system of internal controls to minimise the risk of operational error, including fraud, error and corruption.
- 3.39. CHA maintains a robust system of internal controls, which operates where possible by the 'Three Lines of Defence' methodology.

#### **Three lines of defence**

- 3.40. The first line of defence is staff who are responsible for identifying and managing risk as part of their accountability for achieving role purpose and objectives. Collectively, they should have the necessary knowledge, skills, information, and authority to operate the relevant policies and procedures of risk control.
- 3.41. The second line of defence is oversight of the risk and compliance managed in the first line by staff not involved in the day to day process, including monitoring to judge how effectively (including issues of timeliness and accuracy) it is done, and to help ensure consistency of definition and measurement of risk.
- 3.42. The third line of defence is independent assurance, usually provided by internal audit. It is outside the risk management processes of the first two lines of defence, and its role is to test and report on whether the first two lines are operating effectively and advise how they could be improved. Internal audit reports to the ARC, and can also give assurance to regulators and external auditors that appropriate controls and processes are in place and are operating effectively.

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3.43. Staff involved in treasury management activity will be appropriately qualified and experienced, and qualifications and professional memberships of new staff will be confirmed prior to appointment. Appropriate training and development will also be offered to relevant staff, and they will be expected to meet their professional CPD requirements. Appropriate insurance, based on professional advice, will be maintained at all times. Internal audit will regularly review treasury management processes and controls. Internal Audit work will be part of a planned programme, or specifically organised in response to identification of risk or weakness in controls.

### **TMP 1.9: Price Risk Management Risk**

3.44. Price risk is defined as the risk that movements in the market price of investments will impact adversely on the value of CHA's investments. CHA will not make investments subject to price risk.

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### 4. TMP 2: Performance Measurement

#### Existing Borrowing

- 4.1. The TMS will consider whether current loan arrangements continue to provide best value, or whether advantage might be taken from alternative sources or methods of finance. This review will take account of prevailing market conditions and the business circumstances of CHA. Comment on the conclusions will be made in the TMS.

#### New Borrowing

- 4.2. FM will record the interest rate secured and other costs payable by CHA on any new borrowing that it takes from time to time in comparison with the general level of interest rates prevailing at the time that such loans are taken. This will include details of non-utilisation fees, management fees and legal costs. This will be reported to the Management Committee in the TMS.

#### Treasury Investments

- 4.3. Where applicable, FM will, at least annually, review the level of returns being made on any investments held by CHA, with a view to assessing whether the current methods and instruments being utilised continue to represent good value for CHA. This will be reported in the TMS.
- 4.4. Consideration will be given in the review to alternative forms of investment and investment instruments, and whether they might be used to increase the level of return on investments within the policy set by CHA in TMP 1.1. The assessment undertaken will include a comparison of the returns achieved by CHA with appropriate market comparators (including Bank deposit rates) and will take into account other relevant factors, including management, dealing and transaction costs. Comment on the findings will be made in the TMS.

#### Externally Managed Investments

- 4.5. Performance reports for any externally managed funds will be received at least annually and preferably six monthly, and considered by the Management Committee.

#### External Services

- 4.6. The TMS will report on external services provided in the previous year and contracted for in the forthcoming year. FM is responsible for recommending any changes in the scope of service procured
- 4.7. Best value in treasury management services will be ensured by tendering for these services on a periodic basis, in line with CHA's procurement obligations. In assessing the value added by the providers of external services, account will be taken of all relevant factors, including the cost, quality, reliability and scope of service to be provided.



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### 5. TMP 3: Decision Making Processes

- 5.1. All treasury management decisions made during the year will be in accordance with the most recent TMS, unless specifically approved by the Management Committee, and in compliance with the Rules, Standing Orders and Financial Regulations. In making key decisions regarding its treasury management activities, CHA will ensure that proper consideration is given to all relevant factors.
- 5.2. These will include:
  - The powers of CHA and regulatory requirements
  - Budgetary constraints and LTFFP projections
  - Financial covenants
  - Prevailing and forecast economic conditions
  - Available funding and treasury management options
- 5.3. Any key decision will be informed by an appropriately detailed written report, covering as appropriate, the areas identified above. Such reports will be compiled by CEO and FM for consideration and decision by the Management Committee.
- 5.4. In compiling such reports, the officers will exercise appropriate levels of care and professional expertise, and where they consider it necessary, may seek advice in specialist areas from suitably qualified external advisers.
- 5.5. The treasury management decisions made, following consideration of such reports, will be properly minuted and recorded as required by CHA's standing orders. The FM will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer or advisor of CHA who may be involved in implementing those decisions.

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### 6. TMP 4: Approved Instruments, Methods and Techniques

#### Borrowings

- 6.1. FM will maintain accurate, complete and up to date data on all treasury management instruments in the format set out in the Datasheet within the LTFP. This will be presented to the Management Committee annually, with the TMS.
- 6.2. When entering into any new loans, CHA will ensure that these are documented under clear and binding legal documentation that:
  - Accurately reflects the terms and conditions agreed with lenders
  - Complies with applicable legislative and regulatory requirements
  - Has been compiled by suitably qualified advisors
- 6.3. Any new loan documentation must be approved by the Management Committee with the benefit of appropriate advice from officers of CHA, CHA's solicitors or other legal advisers, and any other specialist advice as the Management Committee may require, or the CEO and FM may recommend. This power can be delegated if need be to an identified sub-group of the Management Committee Members, but only for reasons of efficiency and speed. Any such sub-group must include at least three Management Committee Members; their remit must be documented, their authority must be limited and their decisions must be minuted and reported to the Management Committee.
- 6.4. The FM will prepare a report to the Management Committee for approval which will include but not be limited to the following:
  - a. The name of the proposed lender or arranger with brief details of their experience and understanding of RSLs, and their credit rating (where applicable)
  - b. Interest rate margin and variable reference rate, or fixed rate
  - c. Arrangement and other fees
  - d. Covenant requirements - including limits set for financial covenants and an analysis of CHA's ability to meet those limits
  - e. Security requirements - basis of valuation and level of cover and assets to be charged
  - f. Comparison with alternatives
  - g. Compliance with CHA's TMS, Rules and regulatory and statutory requirements
  - h. Arrangements for drawdowns, including cashflow projections

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- i. Details of independent professional financial and legal advice, including confirmation of powers to enter into transaction, and suitability of the funds for their intended purpose
  - j. Confirmation that CHA has met or can meet in advance of any relevant deadlines the conditions precedent and conditions subsequent specified in the proposed loan agreement
  - k. Any other matters which might assist the Management Committee in considering the proposal, or are required by the lender, any advisor or any regulator to be brought to the Management Committee's attention.
- 6.5. CHA will endeavour to ensure that no new funding arrangement is entered into which binds CHA to meeting financial covenants and security arrangements which are deemed to be more onerous than those on its existing loans, or in conflict with them.
- 6.6. CHA may undertake interest rate management through the medium of its loan documents, and, unless expressly approved by the Management Committee, will be limited to fixed and variable interest rates. Variable rates may be set against the SONIA reference rate or Bank of England Bank Rate (also known as 'Base Rate').

### **Investments**

- 6.7. The FM has delegated authority to invest the surplus cash funds of CHA in accordance with the TMS and in accordance with the terms of this Policy.
- 6.8. All investments will be in UK Pounds Sterling. All investments will be in the name of the Association. Investments will be limited to a maximum period of one year.
- 6.9. Transactions must be documented showing details of the counterparty, credit rating, trade date, settlement date, maturity date, and interest rate. The record of transactions will be reviewed periodically by the FM to ensure compliance with this policy, and made available to auditors on demand.
- 6.10. The maximum amount invested at any time with an approved investment institution may not exceed the larger of £2m or 40% of the total surplus funds invested and will have a maximum maturity of one year. The only exceptions to these limits will be the Association's clearing bankers with whom deposits in excess of this amount may be made for up to seven days from the date of receipt of unexpected funds, and deposits with Royal Bank of Scotland (RBS), provided CHA continues to have loan agreements with RBS and RBS continues to meet the definition of an investment counterparty at 3.15 above. Any exceptions to this policy (unless resulting from accrued interest) must be reported to the Chair immediately and to the next Management Committee meeting.

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- 6.11. All investments will, where possible, be made through secure online systems and transfers must be made in accordance with CHA's rules for their use.
- 6.12. Officers have a responsibility to keep abreast of market movements and developments. They may seek professional advice or subscribe to market information services for this purpose.

## TREASURY MANAGEMENT POLICY

### 7. TMP 5: Responsibility for Treasury Management

7.1. CHA has drawn up and approved a scheme of delegation for the operation of the Treasury Policy, set out below:

Delegated power	Exercised by
Approval & Amendment of Treasury Policy	Management Committee
Approval of TMS	Management Committee
Application of Approved Strategy	CEO and FM
Acceptance of loan offers, approval of loan agreements and granting of security	Management Committee
Acceptance of loan offers and arrangements for approved schemes, which cannot wait until the next Management Committee meeting, and within delegated authority from the Management Committee.	Chair or Vice Chair of Management Committee plus the CEO or FM, or a properly constituted Working Party. Any action taken to be reported to the next Management Committee meeting.
Drawdown of approved loan facilities in accordance with the TMS	FM
Investment of surplus funds	FM
Hedging and other interest rate management	FM
Approval of bankers	Management Committee

7.2. The FM will be responsible for the provision of an adequate system of internal control. Where possible this will include segregation of duties between those placing deposits and those responsible for recording, checking, and confirming them. Where such segregation of duties is not possible, the FM will be responsible for the regular review of records and procedures to ensure compliance with this policy.

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### 8. TMP 6: Reporting Requirements

8.1. The FM reports to the Management Committee on treasury activities as shown below:

Item	Frequency
Management accounts.	Quarterly
Covenant calculation.	Quarterly
Loan summary report covering all existing and committed funding and including details of lender, interest basis and financial covenants.	Half Yearly and after any new loan is completed
Cash and Deposit management report including details of deposits placed and interest earned	Half Yearly
TMS incorporating five to ten year Cashflow Forecasts, with associated borrowing and interest rate strategy; projected liquidity and funding needs; covenant projections; Long Term Financial Plan assumptions; and funding market and options	Annually, by 31 May
Annual Treasury Management Report, summarising loan and deposit movements in the preceding financial year, and confirming <ul style="list-style-type: none"> <li>• Covenant compliance at the financial year end</li> <li>• compliance with the Treasury Management Policy</li> <li>• submission of all required reports and returns to SHR and lenders</li> <li>• Any relevant internal audit reports</li> </ul>	In first half of each financial year, and before Management Committee consideration of the Statement of Internal Financial Control and SHR Assurance Statement

8.2. Separately, FM will report to the Management Committee on submission of any required reports (including but not limited to management accounts; audited accounts and associated audit reports; Long Term Financial Plan and forecasts (if requested by lenders); covenant compliance certificates) to lenders.

## TREASURY MANAGEMENT POLICY

### 9. **TMP 7: Budgeting, Accounting and Audit Arrangements**

- 9.1. Treasury management activity will be subject to internal audit review at least once in every five year period, with the ARC receiving a report from the internal auditors highlighting an assessment of the quality of assurance and any improvements or weaknesses identified.

## TREASURY MANAGEMENT POLICY

### 10. TMP 8: Cashflow Management

- 10.1. CHA annually prepares a 30 year Long Term Financial Plan, covering all the activities of the Association. This includes a 30 year cashflow forecast, incorporating current borrowing arrangements and identifying projected borrowing needs and investment opportunities.
- 10.2. Based on this, FM will prepare a detailed forecast for a period of at least 12 months, projecting income and expenditure quarterly, alongside the projection contained within the SHR Five Year Financial Projection. This will inform the TMS, and form the basis for planning and arranging any new borrowing required.
- 10.3. The FM will update the Management Committee as required every quarter, to highlight any issues that require Management Committee attention, explaining how they affect future borrowing requirements and highlighting any increased treasury risks, such as liquidity or covenant compliance.



## TREASURY MANAGEMENT POLICY

### 11. TMP 9: Money Laundering

- 11.1. CHA is alert to the possibility that it may become subject to an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures to discourage attempts to launder money through the CHA, to verify and record the identity of counterparties and report suspicions as required, and will ensure that all staff who are involved in cash handling on its behalf are properly and regularly trained.
- 11.2. All cash received greater than £2,000 in a single or series of transactions over a short duration (one calendar month) will be reported to FM. Such cash should be accepted and promptly banked as instructed by FM; the objective of the reporting is to assess whether notification to the authorities is required.
- 11.3. It is the duty of all members of staff entering into an arrangement with an existing or potential customer or supplier to ensure that the other party is bona fide and that the arrangement is legitimate and is not being entered into for money laundering purposes. As a general rule, members of staff will be expected to "know the customer or supplier" and if in any doubt to seek independent verification of the identity of the other party and that the arrangements follow laid down procedures.
- 11.4. There is an obligation on all staff to complete the necessary checks detailed above and where they still have suspicions of money laundering to report it to FM. Once a member of staff has reported a suspicion of money laundering, they have fully satisfied their statutory obligations. On receiving a report of a suspicion of money laundering FM will initially seek to validate that suspicion. In this, they will have access to such records as they feel necessary.
- 11.5. FM will record the details of any suspicion of money laundering brought to their attention, the actions taken to validate that suspicion and the results of that validation in the Money Laundering Record. Care must be taken not to alert the customer or supplier that the Association has any suspicions. If FM concludes that the suspicion is valid, they will report the matter to the National Crime Agency (NCA) under the Suspicious Activity report process.
- 11.6. The Money Laundering Record will be kept by FM and will be available for inspection by any Board member of the Trust or director of FCA. Any entries made in the Money Laundering Record will be brought to the attention of AHC at the following meeting.
- 11.7. No loan shall be taken from, nor any deposit made with, any organisation or individual without the prior written approval of FM, or which does not comply with CHA's lending or investment criteria at TMP 1.1. In granting consent to a loan to, or deposit from a new organisation or individual, the FM will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The FM will maintain a written record of such verification and the details provided by the organisation or individual.

## TREASURY MANAGEMENT POLICY

### 12. TMP 10: Staff Training and Qualifications

- 12.1. CHA will ensure that its officers are suitably qualified and/or experienced in respect of the treasury-related responsibilities assigned to them. Sufficient training will be obtained as necessary and access to appropriate external advisors will be provided if required.
- 12.2. At a minimum, it is expected that FM will be Consultative Committee of Accounting Bodies (CCAB) qualified and have maintained their professional membership and Continuous Professional Development (CPD).
- 12.3. In addition to normal Disclosure Scotland checks, professional qualifications and memberships of new staff will be verified before employment is confirmed.

## TREASURY MANAGEMENT POLICY

### 13. TMP 11: Use of External Service Providers

#### **Bankers**

- 13.1. CHA's lead banking provider is Royal Bank of Scotland plc. Performance and value for money of banking services will be reviewed at least every five years, and, if the Management Committee considers it appropriate, retendered.
- 13.2. Approval to appoint new bankers is reserved to the Management Committee.

#### **Treasury Management Advisers**

- 13.3. CHA's may appoint external professional advisors on an ongoing and / or one-off basis. Any appointment must be in line with CHA's procurement policy. Any procurement exercise would be overseen by FM.

## TREASURY MANAGEMENT POLICY

### 14. TMP 12: Corporate Governance

- 14.1. CHA is constituted as a not-for-profit body. It is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No. 2237R(S)) under the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No. HAL93 under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SC034228. It is governed by an independent Management Committee elected by its membership.
- 14.2. The CHA maintains a committee structure which includes ARC. The remit of ARC is set out in formal documentation.
- 14.3. ARC provides structured, systematic oversight of CHA's governance, risk management, and internal control practices. ARC reviews these and provides the Management Committee with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices, including from external and internal audit. The Chair of the Management Committee cannot be a Chair of ARC. External and internal audit providers have a right of direct access to ARC.