



## TREASURY MANAGEMENT POLICY

AUGUST 2023

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<b>Applicable Committee(s)</b>	Finance, Audit & Risk Committee
<b>Owner - role</b>	Director of Finance & Corporate Services

<b>Record of Updates/Changes</b>			
<b>Current Version</b>	<b>Date Approved</b>	<b>Approved By</b>	<b>Changes</b>
V4	August 2023	FAR Committee	Addition of Barclays Bank as approved lender
V3		FAR Committee	Policy rewritten to comply with SFHA updated legislation and best practice since original policy was adopted
V2	June 2021	Finance & Development Sub committee	Reflect Finance & Development Sub-committee name change. Minor changes to considerations re early redemption options, covenant compliance and updated list of approved financial institutions.
V1	June 2018	Finance Sub committee	New policy


## 1. Introduction

The Policy is structured around the 12 Treasury Management Practices (TMP) set out in the CIPFA Code:

The following abbreviations and terms have been used throughout and have the meanings as detailed below:

<b>Abbrev.</b>	<b>Term</b>	<b>Meaning</b>
	The Code	CIPFA Code of Practice for Treasury Management in the Public Services. Most recently updated in January 2022 <a href="https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition">https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition</a>
CHA	The SFHA member using this guidance	Castlehill Housing Association
CE	Chief Executive	The senior officer of the CHA
FARC	Finance, Audit & Risk Committee	The MC committee responsible for scrutiny of controls, risk and assurance, as set out in SHR Standard no 4.5. Also responsible for overview of financial performance, planning and decision making.
DFCS	Director Finance & Corporate Services	The officer responsible for the execution and administration of treasury management decisions.
IMP	Investment Management Practices	Best practise for managing non cash investments
MC	Management Committee	The Board or Management Committee
MCM	Management Committee Member	A member of the MC
SHR	Scottish Housing Regulator	
TMP	Treasury Management Practices	Best practise guidance set out in the CIPFA code
TMS	Treasury Management Strategy	Planning document setting out the treasury management actions needed to deliver the financial business plan



## 2. Model Policy Statement

The purpose of the Treasury Management Policy is 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**<sup>2</sup>.

This policy is structured to address the 12 Treasury Management Practices (TMP) identified in the Code.

It is supported by:

- Documented delegation of specific reporting, decision making and control authorities by the Management Committee to the Finance, Audit & Risk Committee, the Chief Executive and the Director of Finance & Corporate Services.
- A detailed Risk Map for Treasury Activities, maintained by the DFCS and reported annually to the FARC.
- A schedule of relevant data in the format outlined in the SFHA Treasury Management Guidance, maintained by the DFCS and reported annually to FARC with the Treasury Management Strategy.
- Relevant sections of the Job Profile for the CE and DFCS posts.
- Detailed procedure notes for specific processes and controls, under the control of DFCS (Financial Regulations)

### Policy Statement

It is the Policy of CHA that:

1. CHA will create and maintain, as the cornerstones for effective treasury and investment management:
  - a treasury management policy statement 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 the organisation 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, where applicable.
2. 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.

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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>

<sup>2</sup> <https://www.housingregulator.gov.scot/for-landlords/regulatory-framework>

3. The MC will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.
4. CHA delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the FARC, and for the execution and administration of treasury management decisions to the DFCS, who will act in accordance with the organisation'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.
5. This organisation nominates the FARC to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### Policy Definition and Objectives

1. CHA defines its treasury management activities as the management of the organisation'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. 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.
3. 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.

### 3. Policy Structure

1. 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 TMP1.1 to 1.9 provide 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. The Policy is supported where appropriate by detailed procedure notes for staff involved in particular transactions.

### 3.1 TMP 1 – Risk Management

#### General Statement of Risk Management

1. The CE and DFCS will prepare and present to the MC a Treasury Management Strategy (TMS) annually, and the DFCS will prepare a present a report each quarter to the FARC of all treasury and investment activity.
2. The TMS will include a summary of treasury management activity in the preceding financial year and the current financial year, covering:
  - Summary of actual and projected cashflow, and commentary on significant variances
  - Loan drawdowns in the preceding 12 months
  - Loan repayments in the preceding 12 months
  - A summary of the hedging position between fixed and floating rate debt in the current loan portfolio, 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
  - The current Treasury Management Risk Map
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 statement of borrowing requirements for at least the next three years together with a strategy for funding this requirement
  - a statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next 12 months
  - a recommendation as to the mix of fixed, variable and index linked interest rates to apply across CHA's debt portfolio at the end of the next financial year
  - any proposals for amendments to this Treasury Management Policy Statement, including the Golden Rules, which will require Board approval.
4. The DFCS
  - will design, implement and monitor arrangements for the identification, management and control of treasury management risk
  - will report at least annually on the adequacy and suitability thereof to FARC and

- will report to the CE, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving CHA's objectives in this respect,
5. Long term cashflow forecasts and treasury management strategy will be included in the annual Business Plan prepared for Board approval.
  6. Significant variations to cashflow forecasts covering the next 24 months will be reported to Board biannually, highlighting any significant variations from the Business Plan, and any impact on projected borrowing requirements, loan repayments, fixed rate maturities or surplus cash balances
  7. All in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements.
  8. CHA has adopted a detailed Risk Management Statement set out below for each of the Treasury Management Risks identified in the CIPFA Code as referred to as Treasury Management Practices (TMP)

### **TMP 1.1: Lending and Deposit Counterparties**

CHA will maintain lists of approved Lending and Deposit Counterparties. Institutions may only be added to either list with the prior approval of FARC.

#### **Lending Counterparties**

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 (pension funds, insurance companies etc) through public bond issues, private placements or bilateral loans;
- c. Specialist Bond aggregators operating in the social housing sector
- d. Scottish Government supported and underwritten initiatives such as the Scottish Charitable Bond programme

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.

Tenders must be requested for all loans from at least three financial institutions chosen from CHA's approved list. The financial institutions currently approved are:

Virgin Money plc	Co-operative Bank
Royal Bank of Scotland plc	Nationwide Building Society
Lloyds Banking Group plc	Unity Trust Bank
Scottish Building Society	Santander
Charities Aid Foundation Bank Ltd	Triodos Bank
TSB Bank plc	Handelsbanken UK
Bank of Scotland plc	Barclays Bank plc



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

### **Investment and Deposit Counterparties**

The overriding principal guiding the investment of surplus cash balances is the preservation of the capital value of CHA's resources. The DFCS is authorised to deposit or invest funds only with institutions approved by the FARC.

The FARC will set a limit for the amount that may be invested in any one institution at any point. If balances exceed £2m, no more than 70% may be invested in any one institution or banking group. If balances exceed £5m, no more than 50% may be invested in any one institution or banking group. All deposits over £0.5m must have a maturity not exceeding 365 days. For amounts under £0.5m the maturity date must be no more than 2 years.

This excludes the value of funds that are held in day-to-day banking accounts with the institutions providing a basic banking service and funds invested with local authorities.

### **Credit worthiness**

CHA will only invest in counterparties that meet the following criteria:

- a. UK banks and building societies that meet the credit ratings set out below and which are authorised by the Bank of England
- b. UK and devolved governments and local authorities with credit ratings no lower than the UK Government's
- c. Institutions authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority.

	Minimum short term rating
Moody's	P-1
Standard & Poor's	A-1
Fitch Ratings	F1

The DFCS is responsible for monitoring investment counterparties and ensuring that they meet these criteria.

### **TMP 1.2: Liquidity Risk Management**

CHA will ensure that it is able to meet its liabilities at all times. The DFCS will ensure that sufficient cash balances and available facilities exist for this purpose.

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
- **Capital Funding Liquidity**, which will ensure that sufficient liquidity is maintained to fund projected commitments for 24 months from the current date.

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.

**Operational Liquidity** required is measured as one month's operational expenditure, including unavoidable

- staff and overhead costs;
- revenue, void and major repair (including component replacement) costs;
- loan interest and repayments

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 at least monthly. Operational liquidity must be equal to the forecast cash outflow for the next calendar month, plus a contingency (or 'buffer') of 25%.

CHA defines Operational Liquidity as including:

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

**Capital Funding Liquidity** required is measured as

- 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 patterns of receipts and expenditure occur as projected

CHA regards Capital Funding Liquidity as including:

- a. Cash balances and investments (including deposits with a maturity or notice period)
- b. Confirmed but undrawn overdraft facilities
- c. Committed, undrawn and adequately secured loan facilities

In considering availability of committed facilities, any forecast event which may influence CHA's ability to drawdown must be taken into account.

MC will approve a minimum liquidity requirement as part of the Annual Financial Strategy but will not approve a requirement which falls below the following minimum levels:

Regardless of the levels of Operational Liquidity calculated, CHA will maintain a minimum cash balance (excluding all deposits and overdrafts) of £1.25m in instantly available bank accounts.

CHA's strategy for the application of its Policy as set out within this Statement is laid out each year within the TMS which is prepared by the DFCS and approved by MC as set out below.

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, DFCS 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 FARC on the maximum proportion of CHA's total borrowing which is subject to variable rates of interest. Unless otherwise approved by FARC, 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 60% at any one time. Debt which is on a fixed rate arrangement that expires in less than 12 months must be regarded as variable for this purpose.

In preparing the TMS, DFCS will consider the aggregate of all available funds, borrowings and accounts operated by CHA.

Based upon the annual forecast, DFCS will prepare rolling forecasts of the short-term surplus cash and borrowings of CHA for the purposes of:

- Applying the budget and TMS on a day-to-day basis
- Reporting the results of applying the budget and TMS to FARC on a biannual basis

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

CHA will manage its exposure to interest rate fluctuations with a view to containing its interest costs within the amounts provided in its business plan and annual budget as approved by the MC.

CHA will achieve this by the prudent use of its approved financing and investment instrument methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest, and retaining the ability to adapt its borrowings and investments to changing circumstances.

### **TMP 1.4: Exchange Rate Management Strategy**

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

### **TMP 1.5: Inflation**

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: Exposure to Refinancing Risk**

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 complies with loan covenants and CHA is not exposed to significant refinancing risk.

DFCS will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before FARC 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.

CHA will not enter into development or other commitments without having sufficient committed loan facilities in place to cover the resulting borrowing requirement.

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

DFCS 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. The DFCS is empowered to take appropriate external advice as required to satisfy this. CHA maintains a robust system of internal controls, which operates where possible by the 'three lines of assurance'<sup>3</sup> methodology. 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. Appropriate insurance, based on professional advice, will be maintained at all times.

DFCS is responsible for ensuring that any accounting issues or concerns arising from a potential transaction (including but not limited to fair value accounting) are fully understood and explained to FARC prior to approval of the transaction.

### **TMP 1.8: Operational Risk**

CHA will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

As a minimum, these will include proper documentation of procedures and controls; segregation of duties wherever possible; regular independent audit of systems, controls and records; and appropriate qualification, training and development of staff.

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

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 only make investments subject to price risk with the prior approval of MC, and after professional advice has been reported to and discussed by FARC. Movements in the value of investments will be monitored quarterly by DFCS and reported to FARC.

## 3.2 TMP 2: Performance Measurement

### Existing Borrowing

The TMS will also 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 findings will be made in the Annual Financial Strategy.

### New Borrowing

DFCS 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 MC in the annual TMS.

### Treasury Investments

Where applicable, DFCS 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.

Consideration will be given in the review to alternative methods 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

Performance reports for the externally managed funds are received at least annually and preferably six monthly, and considered by the FARC.

### External Services

The TMS will report on external services provided in the previous year and contracted for in the forthcoming year. DFCS is responsible for recommending any changes in the scope of service procured.

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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<sup>3</sup> <https://www.icas.com/professional-resources/audit-and-assurance/internal-audit/internal-audit-three-lines-of-defence-model-explained>

### 3.3 TMP 3: Decision Making Processes

All treasury management decisions made during the year will be in accordance with the most recent TMS, unless specifically approved by FARC, 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.

These will include:

- a. The powers of CHA and regulatory requirements
- b. Budgetary constraints and business plan projections
- c. Financial covenants
- d. Prevailing and forecast economic conditions
- e. Available funding and treasury management options

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 CE and DFCS for consideration and decision by FARC.

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.

The treasury management decisions made, following consideration of such reports, will be properly minuted and recorded as required by CHA's standing orders. The DFCS will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer of CHA who may be involved in implementing those decisions.

### 3.4 TMP 4: Approved Instruments, Methods and Techniques

#### **Borrowings**

DFCS will maintain accurate, complete and up to date data on all treasury management instruments in the format prescribed by the SFHA Treasury Management Guidance. This will be presented to MC annually, with the TMS.

In entering into any new loans, CHA will ensure that these are documented under clear and binding legal documentation that:

- a. Accurately reflects the terms and conditions agreed with lenders
- b. Complies with applicable legislative and regulatory requirements
- c. Has been compiled by suitably qualified advisors

Any new loan documentation must be approved by the FARC with the benefit of appropriate advice from officers of CHA, CHA's solicitors or other legal advisers, and other such specialist advice as the FARC may require.

The DFCS will prepare a report to the FARC 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 perceived experience and understanding of housing associations, and their credit rating (where applicable)
- b. Interest rate margin, fixed rate or underlying fixed or variable reference 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. Purpose (with cashflows if applicable)
- g. Comparison with alternatives
- h. Compliance with TMS, Rules and regulatory and statutory requirements
- i. Arrangements for draw downs
- j. Details of independent professional financial and legal advice, including confirmation of powers to enter into transaction
- k. Any other matters which might assist the FARC in considering the proposal, or are required by the lender, any advisor or any regulator to be brought to the FARC's attention.

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.

CHA may undertake interest rate management through the medium of its loan documents, and, unless expressly approved by FARC, will be limited to fixed and variable interest rates. Variable rates may be set against SONIA or Bank of England Bank Rate (also known as 'Base Rate')

### **Investments**

The DFCS 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.

The following are approved investment instruments:

- a. Deposits with banks and building societies
- b. Certificates of deposit issued by banks and building societies
- c. Loans to local authorities with credit ratings no lower than the UK government's
- d. UK and devolved government and local authority securities (treasury bills and gilts)

Any investments will only be made with organisations that meet the criteria set out at TMP 1.1 above.

Tradable instruments (b and d above) will only be used where the intention is to hold them to maturity, except in the case of funds held in investment funds, which are managed by external fund managers.

CHA will only use money brokers if approved by the FARC.

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 DFCS to ensure compliance with this policy, and made available to auditors on demand.

All investments will, where possible, be made with CHA's CHAPS Transfer Service and transfers should be made in accordance with CHA's rules for its use.

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.

### 3.5 TMP 5: Responsibility for Treasury Management

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	FARC
Approval of TMS	MC
Application of Approved Strategy	CE and DFCS
Acceptance of loan offers, approval of loan agreements and granting of security	FARC
Acceptance of loan offers and arrangements for approved schemes, which cannot wait until the next Board meeting, and within delegated authority from FARC.	Chair of FARC plus the DFCS. Any action taken to be reported to the next Board meeting.
Drawdown of approved loan facilities in accordance with the TMS	DFCS
Investment of surplus funds	DFCS
Hedging and other interest rate management	DFCS
Approval of bankers	FARC

The DFCS 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 DFCS will be responsible for the regular review of records and procedures to ensure compliance with this policy.



### 3.6 TMP 6: Reporting Requirements

The DFCS reports to the FARC on treasury activities as shown below:

Item	Frequency
Updated cashflow forecasts for the 24 months from the report date	Biannually along with budget and reforecast
Covenant calculation report.	Quarterly
Management accounts.	Quarterly
Cash and Deposit management report including details of deposits placed and interest earned	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
TMS incorporating five to ten year Cashflow Forecasts, with associated borrowing and interest rate strategy; projected liquidity and funding needs; covenant projections; Business 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 quarter of new financial year, and before MC consideration of the Statement of Internal Financial Control and SHR Assurance Statement

Separately, DFCS will report to FARC on submission of any required reports (including but not limited to management accounts; audited accounts and associated audit reports; Business Plan and forecasts; covenant compliance certificates; valuation reports) to lenders.

### 3.7 TMP 7: Budgeting, Accounting and Audit Arrangements

Treasury management activity will be subject to internal audit review at least once in every three year period, with the FARC receiving a report from the internal auditors.

### **3.8 TMP 8: Cashflow Management**

CHA annually prepares a 30 year Business 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.

Based on this, DFCS will prepare a detailed forecast for a period of at least 24 months projecting income and expenditure quarterly. This will inform the TMS, and form the basis for planning and arranging any new borrowing required.

The cashflow projection will be updated biannually and reported with the reforecast budget to the FARC, highlighting changes from the previous projection, explaining how they affect future borrowing requirements and highlighting any increased treasury risks, such as liquidity or covenant compliance.

### **3.9 TMP 9: Money Laundering**

No loan shall be taken from, nor any deposit made with, any organisation or individual without the prior written approval of DFCS, 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 DFCS will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The DFCS will maintain a written record of such verification and the details provided by the organisation or individual.

Details of any proposal in relation to a loan from or deposit to any organisation or individual other than in the normal course of CHA business will be reported as soon as possible to DFCS.

The DFCS is responsible for taking reasonable steps to ensure that all staff dealing with any element of CHA's cashflow are appropriately alert to the possibility of attempts being made to use CHA for money laundering purposes. Such staff will also be made aware of the requirement to report suspicions of money laundering to the DFCS.

Where the DFCS is satisfied that a suspicion of money laundering does exist, these will be reported to the appropriate authorities in the form they require.

### **3.10 TMP 10: Staff Training and Qualifications**

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.

At a minimum, it is expected that DFCS will be Consultative Committee of Accounting Bodies (CCAB) qualified and have maintained their professional membership and Continuous Professional Development (CPD). Qualifications and memberships of new staff will be verified before employment is confirmed.

### **3.11 TMP 11: Use of External Service Providers**

#### **Bankers**

CHA's lead banking provider is Virgin Money plc. Performance and value for money of banking services will be reviewed at least every five years, and, if FARC considers it appropriate, retendered.

Approval to appoint new bankers is reserved to MC.

#### **Treasury Management Advisers**

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 DFCS.

### **3.12 TMP 12: Corporate Governance**

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. 1670RS) under the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No. LO968) under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SC013584. It is governed by an independent Board elected by its membership, referred to as MC.

The MC CHA maintains a committee structure which includes the FARC. The remit of each is set out in formal Committee remit documentation.

FARC provides detailed oversight of financial performance, planning and reporting. It has certain decision making powers in these areas delegated by MC. It includes MCM with appropriate skills, qualifications and experience for the remit of the Committee.

It also provides structured, systematic oversight of CHA's governance, risk management, and internal control practices. The FARC reviews these and provides MC 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 MC cannot be a member of the FARC. External and internal audit providers have a right of direct access to the FARC.