



# Treasury Management Policy

If you have difficulty with reading this policy, including any difficulties with sight or hearing, or if you require this document translated into another language, please contact us and we will be happy to provide this information in a format that suits your needs.

# Our Vision, Our Values, Our Strategic Objectives

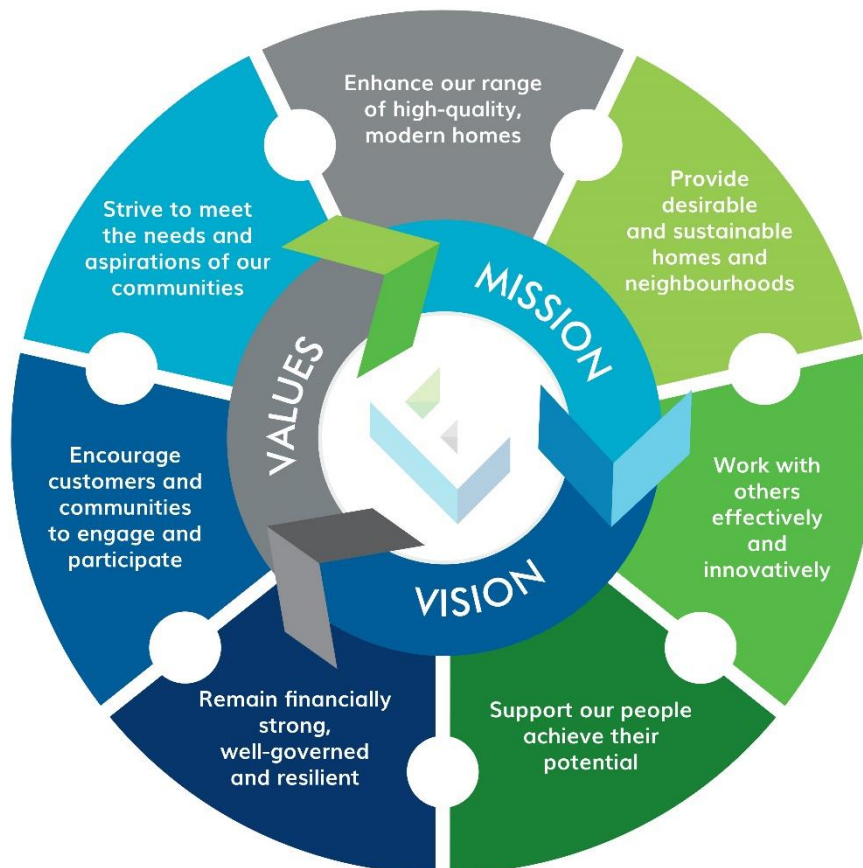
## Our Vision

A vibrant neighbourhood where everyone can prosper.

## Our Values

Caring, Reliable, Fair, Open and Adaptable

## Our Strategic Objectives



## Equality and Diversity Statement

Elderpark Housing are committed to ensuring people or communities do not face discrimination or social exclusion due to any of the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex or sexual orientation.

This document complies with our Equality and Diversity Policy.

We will regularly review this Policy and consider any equalities implications taking the necessary action to address any inequalities (either directly or indirectly) that result from the implementation of this Policy.

# Executive Summary

## Policy Author

The Director of Finance and Corporate Services has been responsible for the development of this policy and it will be monitored and administered by the Director of Finance and Corporate Services on a regular basis to ensure compliance.

## Purpose of the Policy

Treasury management is a complex and technical aspect of Elderpark's activities. It inevitably entails risks that need to be identified, assessed and managed on a continual basis. There are also significant issues around reporting and compliance, in respect of both lenders and regulators.

CIPFA (the Chartered Institute of Public Finance and Accountancy) is the public service accountancy membership and standard-setting body. It is the only such body globally dedicated to public financial management. It publishes a **Code of Practice for Treasury Management in the Public Services**<sup>3</sup> (the CIPFA Code), which is aimed at all UK public services bodies.

The Treasury Management policy demonstrates compliance with the CIPFA code which meets SHR requirements for Treasury Management.

## Aims and Objectives of the Policy

The purpose of this policy is to ensure effective control over 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.

The policy will not eliminate risk, risk cannot be eliminated, but allow the Association to manage treasury risk.

## Legislative and Regulatory Compliance

**Standard 3** of the Scottish Housing Regulators Standards of Governance and Financial Management states '*The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay*'.

The Scottish Housing Regulator states that 'Each RSL should be able to demonstrate effective treasury management arrangements that comply with the CIPFA code. Effective systems should be in place to monitor and report regularly to the governing body on covenant compliance. RSLs should be aware of lenders' timescales for testing covenants and ensure that the implications of any breach are understood.'

## Equalities

There are no specific equalities issues to consider.

## Privacy

This policy will be published on our website.

## Related Policies

Policy Title	Location
Risk Management	<a href="#">V:\Elderpark Policy Suite\Governance Policies\G23 Risk Management Policy .pdf</a>
Scheme of Financial Delegation	<a href="#">V:\Elderpark Policy Suite\Governance Policies\G5 Scheme of Financial Delegation Policy.pdf</a>
Procurement Policy	<a href="#">V:\Elderpark Policy Suite\Governance Policies\G28 Procurement Policy.pdf</a>

## Contents Page

<b>1. Introduction</b>	<b>Page 6</b>
<b>2. Policy Statement</b>	<b>Page 6-7</b>
<b>3. Policy Definition and Objectives</b>	<b>Page 7</b>
<b>4. Policy Structure</b>	<b>Page 8-20</b>
<b>5. Review of Policy</b>	<b>Page 20</b>

## 1. Introduction

- 1.1 The Treasury Management policy will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of Treasury Management.
- 1.2 The policy will outline that the prime objectives are to have effective management and control of risk within treasury activities and state clearly where responsibility lies. The appetite for risk will form part of this policy, including the use of financial instruments for the prudent management of those risks and ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
- 1.3 The policy acknowledges that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for the Association to employ in support of the business and service objectives.
- 1.4 It is recognised that protection of capital is a priority over financial return, but not all risk can or should be avoided. However, the effective management of treasury risk should be viewed as an indicator of a strongly performing treasury function and a balance must be struck between value for money and risk management
- 1.5 It is recognised that having a clear framework for how the association will approve expenditure will limit the potential for any one individual exercising unreasonable control over the association's finances.

## 2. Policy Statement

- 2.1 This policy statement of Elderpark Housing Association is intended to ensure that the treasury management activities of EHA 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** (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**.
- 2.2 The policy is structured to address the 12 Treasury Management Practices (TMP) identified in the Code.
- 2.3 It is supported by:
  - Documented delegation of specific reporting, decision-making and control authorities by the full Committee (FC), the Finance, Risk and Audit Sub-Committee (F, R & A SC), the Chief Executive Officer (CEO) and the Director of Finance & Corporate Services (DF & CS)
  - A detailed risk map for treasury activities, maintained by the DF & CS and reported annually to F, R & A SC.
  - A schedule of relevant data in the format outlined in the SFHA Treasury Management Guidance, maintained by the DF & CS and reported annually to FC with the treasury management strategy.
  - Detailed procedure notes for specific processes and controls, under the control of DF & CS.

2.4 EHA 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.

2.5. 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 EHA. Such amendments will not result in EHA materially deviating from the CIPFA Code's key principles.

2.6 The Committee 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.

2.7 EHA delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the F, R & A SC, and for the execution and administration of treasury management decisions to DF & CS, who will act in accordance with the organisation's policy statement, TMPs and IMPs.

### **3. Policy Definition and Objectives**

3.1 EHA 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.

3.2 EHA 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 EHA and any financial instruments entered into to manage these risks.

3.3 EHA 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.

## 4. Policy Structure

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.

TMP 1	Risk Management,
TMP 2	Performance Measurement
TMP 3	Decision making analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP 6	Reporting requirements and management information requirements
TMP 7	Budgeting, accounting and audit requirements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate Governance

### **TMP 1**

#### **General Statement of Risk Management**

1. The D F & CS will prepare and present to the Finance, Risk & Audit Sub Committee a Treasury Management Strategy (TMS) annually.

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, 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 since the previous TMS
- Summary of investment portfolio position and activity since the previous TMS

3. The TMS will include forecast cashflows for at least three financial years, as well as

- 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 EHA's debt portfolio at the end of the next financial year
- any proposals for amendments to this Treasury Management Policy Statement.

#### 4. The D F & CS

- 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 F, R & A SC and

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 on a quarterly basis, 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 TMP 6 Reporting Requirements and Management Information Arrangements.

8. EHA 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**

EHA will maintain lists of approved lending and deposit counterparties. Institutions may only be added to either list with the prior approval of D F & CS and the F, R & A SC.

##### **Lending Counterparties**

EHA may borrow from:

- Banks and building societies; authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, or their EU equivalent for European banks;
- Financial institutions (pension funds, insurance companies etc.) through public bond issues, private placements or bilateral loans;
- Bond aggregators such as The Housing Finance Corporation, GB Social Housing,
- Scottish Government supported initiatives such as the Allia C&C 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 EHA in accordance with the terms of the loan agreement. This will normally mean that lending organisations are at least investment grade and are able to demonstrate a long-term commitment to the Scottish social housing sector and unless otherwise approved by the Committee, lenders must have minimum credit ratings of:

#### Rating

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

#### Investment and Deposit Counterparties

The overriding principle guiding the investment of surplus cash balances is the preservation of the capital value of EHA's resources.

The D F & C S is authorised to deposit or invest funds only with institutions approved by the Committee as part of the Policy.

#### Exposure

The Committee will set a limit for the amount that may be invested in any one institution at any point. If balances exceed £10m, no more than 60% may be invested in any one institution or banking group, and if balances exceed £15m, no more than 40% may be invested in any one institution or banking group. All deposits will have a maturity not exceeding 365 days. This excludes the value of funds that may be held in day-to-day banking accounts with the institutions providing a basic banking service and funds invested with local authorities.

The sole exception to the rule above will apply where EHA receives funds unexpectedly in which case deposits may be made with EHA's day-to-day bank for periods of up to 7 days, and promptly reported to the F, R & A SC.

#### Creditworthiness

EHA will only invest in counterparties that meet one of the following criteria:

- UK banks and building societies that meet the credit ratings set out below and which are authorised by the Bank of England
- AAA-rated Low Volatility Net Asset Value money market funds
- UK and devolved governments and local authorities with credit ratings no lower than the UK Government's
- Any other institutions that may be specifically approved by the GB on the basis of professional advice

The D F & CS is responsible for monitoring investment counterparties and ensuring that they meet these criteria.

EHA will only invest with or lend to institutions authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (or the appropriate supervisory body in the European Economic Area in which they are incorporated or formed), and subject to the minimum credit rating criteria:

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

EHA will also have regard to other information, such as stock market, regulatory and other public announcements; credit default swap prices; and stock market trends and fluctuations in assessing the credit risk of counterparties.

Should EHA have money invested with an institution which is subsequently downgraded by the credit agencies or where the credit default swap spread indicates that the market has concerns about the creditworthiness of the institution, so that it no longer achieves EHA's minimum creditworthiness criteria, the investment should be withdrawn from the institution upon maturity unless otherwise approved by Committee as an exception to policy.

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

EHA will ensure that it is able to meet its liabilities at all times. The D F & C S will ensure that sufficient cash balances and available facilities exist for this purpose. EHA 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 EHA'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 regularly. Operational liquidity must be equal to the forecast cash outflow for the next calendar month, plus a contingency (or 'buffer') of 25%.

EHA defines operational liquidity as including:

- a. Cash at bank
- b. Cash on deposit which is available at no more than three days' notice. Confirmed but undrawn overdraft facilities
- d. Where held, cash that can be realised from investment portfolios

**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

EHA regards Capital Funding 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
- d. Where held, cash that can be realised from investment portfolios

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

Committee 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, EHA will maintain a minimum cash balance (excluding all deposits and overdrafts) of £600,000 in instantly available bank accounts.

EHA'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 D F & C S and approved by Committee as set out below.

The TMS will consider the sensitivity of EHA'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, D F & C S 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 F, R & A SC and Committee on the maximum proportion of EHA's total borrowing which is subject to variable rates of interest. Unless otherwise approved by Committee, EHA 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 50% 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, D F & C S will consider the aggregate of all available funds, borrowings and accounts operated by EHA.

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

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

EHA will achieve this by the prudent use of its approved financing and investment instruments, 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**

EHA 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. EHA 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**

EHA'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, EHA complies with loan covenants and EHA is not exposed to significant refinancing risk, which is defined as no more than 50% of debt falling due for refinancing (including fixed rate arrangements maturing) in any 12 month period.

D F & C S will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before F, R & A S and 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.

EHA 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**

D F & C S is responsible for ensuring that any borrowing or investment transaction is permitted by EHA'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 D F & C S is empowered to take appropriate external advice as required to satisfy this. EHA maintains a robust system of internal controls, which operates where possible by the 'three lines of assurance' 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.

D F & C S 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 F & A SC and Committee prior to approval of the transaction.

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

EHA 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 EHA's investments. EHA will only make investments subject to price risk with the prior approval of Committee, and after professional advice has been reported to and discussed by F, R & A SC. Movements in the value of investments will be monitored quarterly by D F & C S and reported to F, R & A SC.

### **TMP 2: Performance Measurement**

#### **Existing Borrowing**

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 EHA. Comment on the findings will be made in the TMS.

#### **New Borrowing**

D F & C S will record the interest rate secured and other costs payable by EHA 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 Committee in the annual TMS.

#### **Treasury Investments**

Where applicable, D F & C S will, at least annually, review the level of returns being made on any investments held by EHA, with a view to assessing whether the current methods and instruments being utilised continue to represent good value for EHA. 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 EHA in TMP 1.1. The assessment undertaken will include a comparison of the returns achieved by EHA 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 F, R & A SC.

## **External Services**

The TMS will report on external services provided in the previous year and contracted for in the forthcoming year. D F & C S 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 EHA'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.

## **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 Committee, and in compliance with the Rules, Standing Orders and Financial Regulations. In making key decisions regarding its treasury management activities, EHA will ensure that proper consideration is given to all relevant factors.

These will include:

- a. The powers of EHA 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 D F & C S for consideration and decision by F, R & A SC and Committee.

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 EHA's standing orders. The D F & C S will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer of EHA who may be involved in implementing those decisions.

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

### **Borrowings**

D F & C S will maintain accurate, complete and up to date data on all treasury management instruments in the format set out at Appendix A. This will be presented to F, R & A SC annually, with the TMS.

In entering into any new loans, EHA 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 Committee with the benefit of appropriate advice from officers of EHA, EHA's solicitors or other legal advisers, and other such specialist advice as Committee may require. This power can be delegated, if need be, to an identified sub-committee, but only for reasons of efficiency and speed. Any such sub-committee must include at least three Committee members, and their authority must be minuted and limited.

The D F & C S will prepare a report to 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 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 EHA'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 a transaction
- k. Any other matters which might assist Committee in considering the proposal, or are required by the lender, any advisor or any regulator to be brought to the Committee's attention.

EHA will endeavour to ensure that no new funding arrangement is entered into which binds EHA to meeting financial covenants and security arrangements which are deemed to be more onerous than those on its existing loans.

EHA may undertake interest rate management through the medium of its loan documents, and, unless expressly approved by Committee, 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').

### **Treasury Management Investments**

The D F & C S has delegated authority to invest the surplus cash funds of EHA in accordance with the TMS and in accordance with the terms of this Policy.

The following are approved investment instruments:

- a. Deposits with UK 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)
- e. [AAA rated Low Volatility Net Asset Value money market funds] 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.



EHA will only use money brokers if approved by Committee.

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 D F & C S to ensure compliance with this policy, and made available to auditors on demand.

All investments will, where possible, be made with EHA's CHAPS Transfer Service and transfers should be made in accordance with EHA'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.

#### **TMP 5: Responsibility for Treasury Management**

EHA 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	F, R & A Sub/Full Committee
Approval of TMS	Full Committee
Application of Approved Strategy	CEO and D F & C S
Acceptance of loan offers, approval of loan agreements and granting of security	Full Committee
Acceptance of loan offers and arrangements for approved schemes, which cannot wait until the next Board meeting, and within delegated authority from GB.	Chair or Vice Chair of Committee plus the CEO. Action taken to be reported to the Committee meeting.
Drawdown of approved loan facilities in accordance with the TMS	D F & C S
Investment of surplus funds	D F & C S
Hedging and other interest rate management	D F & C S
Approval of bankers	Finance & Audit Sub/Full Committee

The D F & C S 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 D F & C S will be responsible for the regular review of records and procedures to ensure compliance with this policy.

#### TMP 6: Reporting Requirements

The D F & C S reports to F, R & A SC and Committee on treasury activities as shown below: Item

	Frequency
Updated cashflow forecasts for the 24 months from the report date	Annual
Covenant calculation report.	Annual
Management accounts.	Quarterly
Cash and Deposit management report including details of deposits placed and interest earned	Annual
Loan summary report covering all existing and committed funding and including details of lender, interest basis and financial covenants.	Quarterly
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	Annual
<p>Annual treasury management report, summarising loan and deposit movements in the preceding financial year, and confirming:</p> <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>	<p>In third quarter of new financial year, and before Committee consideration of the SHR Assurance Statement.</p> <p>This may be included within the TMS.</p>

Separately, D F & C S will report to F, R & A SC 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.

#### **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 F, R & A SC receiving a report from the internal auditors.

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

EHA annually prepares a 30-year business plan, covering all the activities of EHA. This includes a 30-year cashflow forecast, incorporating current borrowing arrangements and identifying projected borrowing needs and investment opportunities.

Based on this, D F & C S will prepare a detailed forecast for a period of at least 24 months and preferably of 60 months, projecting income and expenditure quarterly. This will inform the TMS, and form the basis for planning and arranging any new borrowing required.

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

EHA has adopted a policy based on SFHA (as part of UK Housing Federations) guidance on money laundering, and which will be updated in line with any updated guidance. In addition, the Treasury Management Policy imposes the requirements set out below.

No loan shall be taken from, nor any deposit made with, any organisation or individual without the prior written approval of D F & C S, or which does not comply with EHA'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 D F & C S will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The D F & C S 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 RSL business will be reported as soon as possible to D F & C S.

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

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

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

EHA 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.

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

### **Bankers**

EHA's lead banking provider is RBS plc. Performance and value for money of banking services will be reviewed at least every five years, and, if F, R & A S C considers it appropriate, retendered.

Approval to appoint new bankers is reserved to Committee.

### **Treasury Management Advisers**

EHA may appoint external professional advisors on an ongoing and/or one-off basis. Any appointment must be in line with EHA's procurement policy. Any procurement exercise would be overseen by D F & C S.

## **TMP 12: Corporate Governance**

EHA 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. 1840RS) under the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No. HAL 108) under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SCO32823. It is governed by an independent Board elected by its membership, referred to as the Committee.

The Committee of EHA maintains a committee structure which includes Finance, Audit and Risk Sub Committee, Housing and Maintenance Sub Committee and Staffing Sub Committee. The remit of each is set out in formal committee remit documentation.

F, R & A SC provides detailed oversight of financial performance, planning and reporting. It has certain decision-making powers in these areas delegated by Committee. It includes Committee members with appropriate skills, qualifications and experience for the remit of the committee.

F, R & A SC provides structured, systematic oversight of EHA's governance, risk management, and internal control practices. F, R & A SC reviews these and provides 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. External and internal audit providers have a right of direct access to F, R & A SC, without reference to the chair of the board, the CEO or D F & CS.

## **5. Review of Policy**

6.1 This policy will be reviewed in May 2025