



# Treasury Management Policy



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<b>Care Standards this policy helps to achieve</b>	<input type="checkbox"/> <a href="#">Standard 1</a> <input type="checkbox"/> <a href="#">Standard 4</a>	<input type="checkbox"/> <a href="#">Standard 2</a> <input checked="" type="checkbox"/> <a href="#">Standard 5</a>	<input type="checkbox"/> <a href="#">Standard 3</a>



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## 1 Introduction

1.1. Our vision is a Scotland where people of all ages are respected can make their own choices and lead independent and fulfilling lives.

1.2. Our mission is to improve the quality of life of older people by offering a diverse range of housing, care, and other services.

1.3. This policy embodies our values, which are:

Honesty  
Dignity

Equality and Diversity  
Integrity

Ambition  
Caring

Kindness

1.4. It is intended that Bield's treasury management activities are managed and controlled appropriately, and in a manner that complies with best practices, as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and in line with the expectations of the Scottish Housing Regulator (SHR) as set out in the Standards of Governance and Management.

1.5. We use the CIPFA definition of treasury management as:

**“The management of the Association’s borrowings, investments and cash flows, including it’s 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.”**

1.6. We recognise exposure to risk from a wide range of factors can impact the achievement of its business objectives. We also recognise that treasury management activities themselves, including cash flow management, borrowing, investing, and hedging, can potentially expose Bield to specific risks that require careful monitoring and management.

1.7. We regard 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 Bield.

1.8. The purpose of treasury management is not to eliminate risk; risk cannot be eliminated and accepting risks and properly managing risks allows any organisation to gain advantage. Instead, the process of treasury management is identifying and assessing treasury risks; deciding which to accept and manage, and then prescribing how; and eliminating those which pose too much threat to the organisation.

1.9. We acknowledge that effective treasury management will provide support towards the achievement of its business objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.



## 2. Policy Outcomes

- 2.1. The purpose of this policy is to create and maintain:
- 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 Bield Housing and Care (Bield) 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.
  - Provide clarity on our approach to Treasury Management for our customers, colleagues, and Board members
  - Emphasise the importance of risk management in treasury management
  - Encourage value for money and the use of appropriate and practical performance indicators
  - Assists regulators and auditors of public service organisations
- 2.2. We will work to the three Key Principles as set out in section 4 of the Code, specifically:
- i) Key principle 1  
Organisations should put in place formal and comprehensive objectives, policies and practices, strategies, and reporting arrangements for the effective management and control of their treasury management.
  - ii) Key principle 2  
Organisation's policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including the use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
  - iii) Key principle 3  
Organisation's should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.
- 2.3. This policy has been structured to reflect the twelve areas of treasury management policy identified in the Code.
- 2.4. Following the CIPFA recommendation, as set out in Section 5 of the Code, that all public service organisations adopt the following clauses relating to treasury management, we will adhere to the following:
- 2.5. We will create and maintain as the cornerstones for effective treasury management:
- A treasury management policy (this document), state the policies, objectives, and approach to risk management of our treasury management activities; and
  - Suitable TMPs prescribing how we will seek to achieve those policies and objectives and how we will manage and control treasury management activities.
  - Investment management practices (IMPs) for investments that are not for treasury management purposes.
  -



- 2.6 The content of the policy, TMPs and IMPs will follow the recommendations contained in the CIPFA Code, subject only to amendment where necessary to reflect particular circumstances. Such amendments will not result in us materially deviating from the Code's key principles.
- 2.7 The Audit and Risk Committee (A&R) will receive reports on its treasury management policies, practices and activities including, as required:
- An Annual Treasury Strategy and plan in advance of the year ahead;
  - A mid-year progress report on the Annual Treasury Strategy (if necessary) produced by the Director of Finance & Technology; and
  - An Annual Treasury Report after year-end covering the last 12 months.
- 2.8 The Board delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the A&R, and for the execution and administration of treasury management decisions to the Chief Operating Officer (COO) and the Chief Executive (CEO), who will act in accordance with our policy and TMPs, and, if he or she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 2.9 Bield nominates the A&R to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **3. Equality, Diversity, and Inclusion**

- 3.1. When carrying out this policy we will adhere to our Equality and Diversity Policy which aims to promote diversity, fairness, social justice, and equality of opportunity. An Equality Impact Assessment was carried for this policy and this is included in [Appendix 1](#).
- 3.2. To help promote equality and inclusion, the following steps will be taken for this policy:
- Large print easy to read version
  - Translation and interpretation message on the back of the policy

### **4. Definitions**

- 4.1. In compliance with Section 6 of the CIPFA Code of Practice, Bield defines its treasury management activities as:
- The management of the organisation's borrowing, investments and cash flows, 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.
  - We regard 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 the Association and any financial instruments entered into to manage these risks.
  - We acknowledge 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.



4.2. The principal activities of treasury management are defined in the CIPFA Code with sections relating to each of the 12 Treasury Management Practices (TMPs):

<b>TMP1</b>	Risk management
<b>TMP2</b>	Performance measurement
<b>TMP3</b>	Decision making and analysis
<b>TMP4</b>	Approved instruments, methods and techniques
<b>TMP5</b>	Organisation, clarity and segregation of responsibilities and dealing arrangements
<b>TMP6</b>	Reporting requirements and management information arrangements
<b>TMP7</b>	Budgeting, accounting and audit arrangements
<b>TMP8</b>	Cash and cash flow management
<b>TMP9</b>	Money laundering
<b>TMP10</b>	Training and qualifications
<b>TMP11</b>	Use of external service providers
<b>TMP12</b>	Corporate governance



## 5. Treasury Management Practices

### TMP 1: Risk management

#### General Statement of Risk Management

- 5.1. The CEO and COO will prepare and present to the A&R a Treasury Management Strategy (TMS) annually, and the COO will prepare and present a report each quarter to A&R of all material treasury and investment activity.
- 5.2. The TMS will include a summary of treasury management activity in the preceding financial year and the current financial year, where applicable 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,
  - The current Treasury Management Risk Map
- 5.3. The TMS will include forecast cashflows for at least five 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, and overall projected investments and divestments
  - a recommendation as to the mix of fixed, variable and index linked interest rates to apply across Bield'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 A&R approval.
- 5.4. The COO will prepare and present a report each quarter to FC of all treasury and investment activity in the quarter, with, where appropriate an updated cashflow and covenant projections to the financial year end.
- 5.5. The COO
  - 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 A&R and
  - will report to the CEO, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving Bield's objectives in this respect.
- 5.6. Long term cashflow forecasts and treasury management strategy will be included in the annual Business Plan prepared for Board approval.
- 5.7. Significant variations to cashflow forecasts covering the next 24 months will be reported to A&R 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



- 5.8. All in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements.
- 5.9. Bield has adopted a detailed Risk Management Statement set out below for each of the relevant Treasury Management Risks identified in the CIPFA Code and referred to as Treasury Management Practices (TMP)

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

5.10. Bield will maintain lists of approved Lending and Deposit Counterparties. Institutions may only be added to either list with the prior approval of A&R or Board.

#### **Lending Counterparties**

5.11. Bield 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; these may be high street lenders or smaller specialist providers;
- Financial institutions (pension funds, insurance companies etc) through public bond issues, private placements or bilateral loans;
- Specialist bond aggregators operating in the social housing sector
- Scottish Government supported and underwritten initiatives such as Scottish Charitable Bond programme.

5.12. 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 Bield in accordance with the terms of the loan agreement. Where a lender has published credit ratings from the recognised market agencies, this will normally be at least investment grade as set out below, unless otherwise approved by the A&R:

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

5.13. Where a lender does not have a published credit rating, A&R will be advised by COO of the assessment of financial strength of the proposed lender, including external advice taken.

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

#### **Investment and Deposit Counterparties**

5.15. The overriding principle guiding the investment of surplus cash balances, excluding externally managed funds, is the preservation of the capital value of Bield's resources.

5.16. The COO is authorised to deposit or invest funds only with institutions approved by the GB as part of the Policy.



## Exposure

- 5.17. The A&R 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 60% may be invested in any one institution or banking group, and if balances exceed £5m, no more than 40% may be invested in any one institution or banking group. These limits may be amended where the A&R gives consent. 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.
- 5.18. The sole exception to the rule above will apply where Bield receives funds unexpectedly in which case deposits may be made with Bield's day-to-day bank for periods of up to 7 days, and promptly reported to the CEO.

## Creditworthiness

5.19. Bield 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 A&R on the basis of professional advice.

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

5.21. Bield 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:

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

5.22. Bield 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.

5.23. Should Bield 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 Bield's minimum creditworthiness criteria, the investment should be withdrawn from the institution upon maturity unless otherwise approved by A&R as an exception to Policy.

## Environmental, Social and Governance Risk Considerations

5.24. Bield is committed to being a responsible and sustainable social housing provider and it aims only to deal with treasury counterparties who share similar Environmental, Social and Governance ('ESG') objectives.



5.25. Existing and prospective counterparties will be required to provide the organisation with copies of their ESG strategies every 5 years. Where A&R is not satisfied that a counterparty's ESG objectives and strategy are consistent with Bield's, then Bield will cease to place investments with that counterparty and in the case of lenders, alternative borrowing options will be considered.

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

5.26. Bield will ensure that it is able to meet its liabilities at all times. The COO will ensure that sufficient cash balances and facilities are available for this purpose.

5.27. Bield 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 Bield'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.

5.28. **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

5.29. 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%.

5.30. Bield defines Operational Liquidity as including:

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

5.31. **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

5.32. Bield regards Capital Funding Liquidity as including:

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

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

5.34. A&R 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:



- 5.35. Regardless of the levels of Operational Liquidity calculated, Bield will maintain a minimum cash balance (excluding all deposits and overdrafts) of £2m in instantly available bank accounts.
- 5.36. Bield'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 COO and approved by A&R as set out below.
- 5.37. The TMS will consider the sensitivity of Bield'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, COO 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 A&R on the maximum proportion of Bield's total borrowing which is subject to variable rates of interest. Unless otherwise approved by A&R, Bield 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 on a fixed rate arrangement that expires in less than 12 months must be regarded as variable for this purpose.
- 5.38. In preparing the TMS, COO will consider the aggregate of all available funds, borrowings and accounts operated by Bield.
- 5.39. Based upon the annual forecast, COO will prepare quarterly rolling forecasts of the short-term surplus cash and borrowings of Bield 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 A&R on a quarterly basis

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

- 5.40. Bield 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 A&R.
- 5.41. Bield 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**

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

### **TMP 1.5: Inflation**

- 5.43. Inflation risk is the risk that arises from the decline in value of cashflows due to inflation. Bield 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**

- 5.44. Bield'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, Bield complies with loan covenants and Bield is not exposed to significant refinancing risk, which is defined as no more than 25% of debt falling due for refinancing (including fixed rate arrangements maturing) in any 12 month period.



- 5.45. COO will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before A&R 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.
- 5.46. Bield 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**

- 5.47. COO is responsible for ensuring that any borrowing or investment transaction is permitted by Bield'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 COO is empowered to take appropriate external advice as required to satisfy this. Bield 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.
- 5.48. COO 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 A&R prior to approval of the transaction.

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

- 5.49. Bield 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.
- 5.50. 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**

- 5.51. Price risk is defined as the risk that movements in the market price of investments will impact adversely on the value of Bield's investments. Bield will only make investments subject to price risk with the prior approval of A&R, and after professional advice has been reported to and discussed by A&R. Movements in the value of investments will be monitored quarterly by COO and reported to A&R.

## **TMP 2: Performance management**

### **Existing Borrowing**

- 5.52. 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 Bield. Comment on the findings will be made in the Annual Financial Strategy.



### **New Borrowing**

5.53. COO will record the interest rate secured and other costs payable by Bield 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 A&R in the annual TMS.

### **Treasury Investments**

5.54. Where applicable, COO will, at least annually, review the level of returns being made on any investments held by Bield, with a view to assessing whether the current methods and instruments being utilised continue to represent good value for Bield. This will be reported in the TMS.

5.55. 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 Bield in TMP 1.1. The assessment undertaken will include a comparison of the returns achieved by Bield 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**

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

### **External Services**

5.57. The TMS will report on external services provided in the previous year and contracted for in the forthcoming year. The CEO and COO is responsible for recommending any changes in the scope of service procured and may seek external advice to support the recommendations.

5.58. Best value in treasury management services will be ensured by tendering for these services on a periodic basis, in line with Bield'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 process**

5.59. All treasury management decisions made during the year will be in accordance with the most recent TMS, unless specifically approved by the A&R, and in compliance with the Rules, Standing Orders and Financial Regulations. In making key decisions regarding its treasury management activities, Bield will ensure that proper consideration is given to all relevant factors.

5.60. These will include:

- The powers of Bield and regulatory requirements
- Budgetary constraints and business plan projections
- Financial covenants
- Prevailing and forecast economic conditions
- Available funding and treasury management options

5.61. 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 COO for consideration and decision by A&R.



- 5.62. 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.
- 5.63. The treasury management decisions made, following consideration of such reports, will be properly minuted and recorded as required by Bield's standing orders. The COO will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer of Bield who may be involved in implementing those decisions.

## **TMP 4: Approved methods, instruments, and techniques**

### **Borrowings**

- 5.64. COO will maintain accurate, complete and up to date data on all treasury management instruments. This will be presented to A&R annually, with the TMS.
- 5.65. In entering into any new loans, Bield 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
- 5.66. Any new loan documentation must be approved by A&R with the benefit of appropriate advice from officers of Bield, Bield's solicitors or other legal advisers, and other such specialist advice as A&R may require.
- 5.67. The COO will prepare a report to A&R for approval which will include but not be limited to the following:
- 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)
  - Interest rate margin, fixed rate or underlying fixed or variable reference rate
  - Arrangement and other fees
  - Covenant requirements - including limits set for financial covenants, pension notifiable events and an analysis of Bield's ability to meet those limits
  - Security requirements - basis of valuation and level of cover and assets to be charged
  - Purpose (with cashflows if applicable)
  - Comparison with alternatives
  - Compliance with TMS, Rules and regulatory and statutory requirements
  - Arrangements for draw downs
  - Details of independent professional financial and legal advice, including confirmation of powers to enter into transaction
  - Any other matters which might assist A&R in considering the proposal, or are required by the lender, any advisor or any regulator to be brought to the A&R's attention.
  - All required reporting requirements are met including pension notifications if applicable
- 5.68. Bield will endeavour to ensure that no new funding arrangement is entered into which binds Bield to meeting financial covenants and security arrangements which are deemed to be more onerous than those on its existing loans.
- 5.69. Bield may undertake interest rate management through the medium of its loan documents, and, unless expressly approved by A&R, 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**

- 5.70. The COO has delegated authority to invest the surplus cash funds of Bield in accordance with the TMS and in accordance with the terms of this Policy.
- 5.71. The following are approved investment instruments:
- Deposits with UK banks and building societies
  - Certificates of deposit issued by banks and building societies
  - Loans to local authorities with credit ratings no lower than the UK government's
  - UK and devolved government and local authority securities (treasury bills and gilts)
  - [AAA rated Low Volatility Net Asset Value money market funds]
- 5.72. Any investments will only be made with organisations that meet the criteria set out at TMP 1.1 above.
- 5.73. 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.
- 5.74. Bield will only use money brokers if approved by A&R.
- 5.75. 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 COO to ensure compliance with this policy, and made available to auditors on demand.
- 5.76. All investments will, where possible, be made with Bield's CHAPS Transfer Service and transfers should be made in accordance with Bield's rules for its use.
- 5.77. 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.
- 5.78. We will undertake treasury management activities by employing only those instruments, methods, and techniques detailed in this TMP.

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

- 5.79. We consider the effective control and monitoring of our treasury management activities essential, for the reduction of the risk of fraud or error, and to ensure optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities and clear accountability.
- 5.80. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording, and administering of treasury management decisions, and the audit and review of the treasury management function.
- 5.81. If and when we intend, as a result of lack of resources or other circumstances, to depart from these principles, the COO & CEO will ensure that the reasons are properly reported in accordance with TMP6: "Reporting", and the implications properly considered and evaluated.
- 5.82. The COO will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and arrangements for absence cover.
- 5.83. Our scheme of delegated authority relating to treasury management is as follows:



<b>Authority retained by Board:</b>	<ul style="list-style-type: none"> <li>• Approval of amendments to key policies, procedures, and delegation of authority</li> <li>• Approval of the Business Plan and Budget</li> </ul>
<b>Authority delegated to the Audit &amp; Risk Committee:</b>	<ul style="list-style-type: none"> <li>• Approval of the Annual Treasury Strategy as recommended by the COO &amp; CEO</li> <li>• Approval of new funding facilities, including loan offers, loan agreements and granting of security.</li> <li>• Ensuring the adequacy of internal audit and liaising with external audit</li> <li>• Approval of bank and dealing with mandates</li> <li>• Review of the Treasury Management and Investment Reports (see TMP6).</li> </ul>
<b>Authority delegated to the COO</b>	<ul style="list-style-type: none"> <li>• Application of the Annual Treasury Strategy.</li> <li>• Drawdown of approved loan facilities in accordance with the TMS</li> <li>• Hedging and other interest rate management</li> <li>• Investment of surplus funds</li> <li>• Delivery of the Annual Treasury Outturn Report</li> <li>• Supervision of the treasury function.</li> <li>• Authorisation of investments entered into pursuant to TMP1 subject to 5.67.</li> </ul>

5.84. The COO is also responsible for the provision of adequate internal controls, including:

- Up-to-date signatory mandates authorising bank transfers
- Procedures for deal authorisation
- Regulation of access cards and similar devices for electronic transmission
- Ensuring that segregation of duties is maintained such that separate staff are involved in dealing and deal-checking activities

### **TMP 6: Reporting requirements**

5.85. We will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes resulting from the regulatory, economic, market, or other factors affecting its treasury management activities; and on the performance of the treasury management function.

### **Annual Treasury Strategy**

5.86. The COO will prepare an Annual Treasury Strategy for approval as part of the annual Business Planning cycle.

5.87. The Annual Treasury Strategy sets out the Treasury aims and objectives for the coming financial year. In preparing the Annual Treasury Strategy, the Board will have regard to the maintenance of a stable financial position. The following matters may be included in the Annual Treasury Strategy:

- Forecast cash flows for the following financial year and a summary position for a further 3 years, linked to the Business Plan;
- Analysis of current prevailing short and long-term interest rates, comparison with historical trends and estimated trend movement over the next financial;
- Reference to the Annual Treasury Report for the preceding financial year;



- Details of current borrowings and applicable terms;
- A statement of borrowing requirements for at least the next financial year together with a strategy for funding this requirement, ensuring we have sufficient and appropriate facilities to meet both our short-term and long-term borrowing requirements;
- Borrowing requirements beyond three years where we have made a commitment that will require funding;
- A statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next financial year;
- Where appropriate, a recommendation as to the mix of hedged and unhedged debt to apply across our debt portfolio during the next financial year;
- Detail of the covenant compliance on existing facilities;
- Recommendation for the investment of surplus funds and returns on investments;
- Any proposals for amendments to this Treasury Policy Statement.

In preparing the Annual Treasury Strategy, the COO will pay regard to the following:

- Maintenance of a stable financial condition;
- Ensuring we have sufficient and appropriate facilities to meet both our short-term and long-term borrowing requirements; and
- Ensuring we have sufficient cash resources available at all times to meet funding needs arising from uncertainties in the business planning process, the timing, and amount of cash flow.

### **Annual Treasury Report**

5.88. The Annual Treasury Report will cover the previous financial year's treasury activities including annual measures of performance. The overriding objective of the Annual Treasury Report is to provide a standalone document that gives a full analysis of treasury activities, plans, policies, and results, independent of other reporting during the year. The Annual Treasury Report will incorporate the following specific information:

- An overall summary of treasury operations for the year;
- A compliance report on agreed treasury management policies and practices, CIPFA Code recommendations, and any statutory or regulatory requirements
- A statement of the proportion of the debt that is hedging including a maturity ladder detailing all hedged borrowing and interest periods within unhedged borrowing;
- An analysis of cash flows compared with budgeted levels and commentary on variations (both positive and negative);
- A report analysing compliance with permitted borrowings and prevailing regulations, including:
  - Total debt outstanding;
  - Total short-term borrowings;
  - Financial covenant compliance;
- Confirmation that total permitted borrowing has not been exceeded; and
- As part of the annual review of the treasury, the Director of Finance & Technology will also review this Treasury Policy to ensure it is fit for purpose and advise of any required amendments.

### **TMP 7: Budgeting, accounting, and audit arrangements**

5.89. We will account for our treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards and with statutory and regulatory requirements in force for the time being.

5.90. We will ensure that our auditors and those charged with regulatory reviews have access to all information and papers supporting the activities of the treasury management function, as are necessary for the proper fulfilment of their roles and that such information and papers demonstrate compliance with external and internal policies and approved [practices](#).



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

### **TMP 8: Cash flow management**

5.92. Unless statutory or regulatory requirements demand otherwise, all monies will be under the control of the COO and will be segregated for cash flow and investment management purposes.

5.93. Cash flow projections will be prepared on a regular and timely basis and the COO will ensure that these are adequate for monitoring compliance with TMP1 "Risk Management" and will inform the TMS, and form the basis for planning and arranging any new borrowing required. This will include:

- A 30 year Business Plan, covering all business activities and subsidiary (if applicable). This includes a 30 year cashflow forecast, incorporating current borrowing arrangements and identifying projected borrowing needs and investment opportunities.
- A detailed forecast for a period of at least 24 months and preferably of 60 months, projecting income and expenditure quarterly.

### **TMP 9: Money laundering**

5.94. Our Money laundering policy is part of the Fraud & Theft policy. In addition, the Treasury Management Policy imposes the requirements set out below.

- No loan will be taken from, nor any deposit made with, any organisation or individual without the prior written approval of COO, or which does not comply with Bield'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 COO will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The COO 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 our business will be reported as soon as possible to the COO.
- All individual members of staff are responsible for reporting details immediately to their line manager or the next most senior manager if they see or suspect that any suspicious acts have been committed.
- The COO is responsible for taking reasonable steps to ensure that all staff dealing with any element of Bield's cashflow are appropriately alert to the possibility of attempts being made to use Bield for money laundering purposes. Such staff will also be made aware of the requirement to report suspicions of money laundering to the COO.
- Where the COO 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**

5.95. We recognise the importance of ensuring that all colleagues involved in the treasury management function have the skills required to undertake the duties and responsibilities allocated to them. We will therefore seek to appoint individuals who are both capable and experienced and will provide staff training to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills.

5.96. Officers involved in treasury operations will receive adequate training to provide them with the necessary skills and knowledge to keep them up to date with treasury management best practice. Training may include studying for recognised qualifications, external courses, and



conferences and internal courses and seminars. Each year the COO, will assess training needs and make appropriate provision for costs.

- 5.97. The Board will also receive necessary training and development sessions to ensure that they have the necessary skills to understand and approve treasury reports. This will be done through in-house training sessions undertaken by both employees and external specialists. Where considered appropriate Board members may also attend external training courses.

## **TMP 11: Use of external service providers**

### **Bankers**

Bield's lead banking provider is The Royal Bank of Scotland. Performance and value for money of banking services will be reviewed at least every five years, and, if A&R considers it appropriate, retendered.

Approval to appoint new bankers is reserved to GB.

### **Treasury Management Advisers**

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

## **TMP 12: Corporate governance**

- 5.98. We are committed to the pursuit of proper corporate governance throughout our business and services and to establishing the principles and procedures by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity, and accountability.
- 5.99. We have adopted and have implemented the key recommendations of the Code. This, together with other arrangements detailed in our treasury procedures is considered vital to the achievement of proper corporate governance in treasury management. The COO will monitor and, if and when necessary, report upon the effectiveness of these arrangements.
- 5.100. Bield 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. 1692R (S)) under the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No. HEP71) under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SC006878. It is governed by an independent Board elected by its membership.
- 5.101. The Board of Bield maintains a committee structure which includes A&R. The remit of each is set out in formal Committee remit documentation.
- 5.102. A&R provides detailed oversight of financial performance, planning and reporting. It has certain decision making powers in these areas delegated by Board. It includes Board members with appropriate skills, qualifications and experience for the remit of the Committee.
- 5.103. A&R provides structured, systematic oversight of Bield's governance, risk management, and internal control practices. A&R reviews these and provides Board 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 Board cannot be a member of A&R, but may attend meetings of A&R if invited by the Chair of the A&R. External and internal audit providers have a right of direct access to A&R, without reference to the Chair of the Board, the CEO or COO.



## **6. Publicising and Accessibility**

- 6.1. This policy will be made available on the Bield website and the intranet site Grapevine.
- 6.2. We are happy to translate any of our policies and provide an interpreter if our customers need help.

## **7. Complying with the Law and Good Practice**

- 7.1. As a Registered Social Landlord (RSL), we are regulated by the Scottish Housing Regulator (SHR). The SHR's statutory objective is to safeguard and promote the interests of current and future tenants, homeless people, and other people who use services provided by social landlords. In developing our policy, we have taken account of good practice, including that developed by the Scottish Housing Regulator.

- 7.2. The SHR uses the outcomes and standards in the Charter to assess the performance of social landlords. The key outcomes that have been considered in the development of this policy are:

- Outcome 13 Customers receive services of continually improving value for rent and other charges they pay.
- Outcome 14 We strike a balance between the level of service provided the cost of services and how far current and prospective customers can afford them.
- Outcome 15 Customers get clear information on how rent and other money is spent, including details of any individual items of expenditure above agreed thresholds.

- 7.3. The SHR Regulatory Standards which govern Treasury Management include:

RS 3.1 The RSL has effective financial and treasury management controls and procedures, to achieve the right balance between costs and outcomes. The RSL ensures security of assets, the proper use of public and private funds, and access to sufficient liquidity at all times.

RS 3.2 The governing body fully understands the implications of the treasury management strategy it adopts, ensures this is in the best interests of the RSL and that it understands the associated risks

RS 3.5 The RSL monitors, reports on, and complies with any covenants it has agreed with funders. The governing body assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

- 7.4. SHR guidance (August 2015) contains the regulatory expectation that an RSL will comply with the CIPFA Code.

## **8. GDPR**

- 8.1. We will treat all personal data in line with our obligations under the current data protection regulations and our Privacy Policy. Information regarding how all data will be used and the basis for processing your data is provided in our Customer Fair Processing Notice.



## **9. Sustainability statement**

- 9.1. We are committed to reducing our impact on the environment through proactive selection of investments which support a sustainable and ethical business model.
- 9.2. Where possible, we will consider investments in funds that have a positive environmental impact.

## **10. Risk management**

- 10.1. In considering risk management we will design, implement and monitor all arrangements for the identification, management, and control of treasury management risk, will report at least annually on the adequacy/suitability of this policy, and will report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving our objectives as set out in this policy.



## Appendix 1 Equality Impact Assessment

1	<b>Title of Policy to be assessed:</b> Treasury Management			
2	<b>Date:</b> 25/08/2021			
3	<b>Lead Officer/Manager:</b> Zhan McIntyre			
4	<b>EQIA Team (who will be involved):</b> N/A			
5	<b>Director/Manager:</b> Debbie Collins			
6	<b>Is the function or policy existing, new, or review?</b> Review			
7	<p><b>Set out the aims/objectives/purposes/outcomes of the function or policy, and give a summary of the service provided:</b></p> <p>The purpose of this policy is to Set out our approach to treasury management Ensure we comply with relative treasury management best practice.</p> <p><b>The policy applies to all Bield colleagues</b></p>			
7a	<p><b>Who should benefit from the policy (target population):</b> All tenants will benefit from the prudent management of Bield's finances.</p>			
7b	<p><b>Linked policies, functions: Are there any other functions, policies or services, which might be linked with this one for this exercise? Please list.</b> N/A</p>			
8	<p><b>State whether the policy will have a positive or negative impact across the following factors and provide initial comments/observations.</b></p> <p><b>Age:</b> Older people, people in the middle years, young people, and children.</p> <p><b>Disability:</b> includes physical disability, learning disability, sensory impairment, long-term medical conditions, mental health problems.</p> <p><b>Maternity and civil partnership</b> <b>The policy will have no impact on people expecting or recently giving birth or within a civil partnership</b></p> <p><b>Race:</b> Minority ethnic people (includes Gypsy/Travellers, non-English speakers).</p> <p><b>Religion or belief:</b> includes people with no religion or belief.</p> <p><b>Sex:</b> Women, men, and transgender people (include issues relating to pregnancy and maternity).</p> <p><b>Gender reassignment:</b> The process of changing or transitioning from one gender to another.</p> <p><b>Sexual orientation:</b> Lesbian, gay, bisexual, and heterosexual people.</p> <p><b>People in remote, rural, and/or island locations</b></p> <p><b>People in different work patterns:</b> e.g. part-/full-time, short-term, job share, seasonal</p> <p><b>People who have low literacy</b></p> <p><b>People in different socio-economic groups</b> (includes those living in poverty/people on a low income)</p>			
	<b>Population groups</b>	<b>Positive Impact</b>	<b>Negative Impact</b>	<b>Comments</b>
	Age	N/A	N/A	



	Disability	N/A	N/A	
	Maternity and civil partnership	N/A	N/A	
	Race	N/A	N/A	
	Religion or belief	N/A	N/A	
	Sex and Gender reassignment	N/A	N/A	
	Sexual orientation	N/A	N/A	
	People in remote, rural, and/or island locations	N/A	N/A	
	People in different work patterns	N/A	N/A	
	People who have low literacy	N/A	N/A	
	People in different socio-economic groups	N/A	N/A	
9	<b>What evidence do you have for the statements you have made above? Focus on:</b> <ul style="list-style-type: none"> <li>Needs and experiences;</li> <li>Uptake of services; N/A</li> <li>Levels of participation. N/A</li> </ul>			
10	<b>From the evidence set out what actions, if any, will you take where the negative impact has been identified:</b>			
	<b>Population groups</b>	<b>Proposed action</b>	<b>How will it address the negative impact?</b>	
	Age	Ensure large print version is available	Remove barrier or small font	
	Disability:	Ensure easy read version is available	Remove barrier of complex language	
	Maternity and civil partnership	N/A	N/A	
	Race	N/A	N/A	
	Religion or belief	N/A	N/A	
	Sex and Gender reassignment	N/A	N/A	
	Sexual orientation	N/A	N/A	
	People in remote, rural, and/or island locations	N/A	N/A	
	People in different work patterns	N/A	N/A	
	People who have low literacy	Ensure easy read version is available	N/A	
	People in different socio-economic groups	N/A	N/A	
	<b>Briefly explain how the policy contributes to our equality and diversity values by answering the following questions:</b>			



- How will it provide equality of access to services, information, and employment?
- Does it or could it celebrate diversity?
- Will it or could it promote good relationships within and between communities?
- How will it provide good quality, inclusive services?

N/A

**Any additional information, questions, or actions required? Please explain.**

**Sign off:**

**As Director I am satisfied with the results of this EIA**

**The findings will be referred to within Service Plans and target set. The Action Plan will be reviewed annually within Business planning reporting.**

**Signature:**

**Date:**



## **Appendix 2 Summary of reporting requirements**

In relation to our reporting and management information requirements, we will ensure that regular reports are prepared and considered on

- the implementation of our treasury policies;
- the effects of decisions taken and transactions executed in pursuit of those policies;
- the implications of changes resulting from the regulatory, economic, market or other factors affecting its treasury management activities and on the performance of the treasury management function

Reporting requirements are detailed in TMP6



## Appendix 3 Outline Treasury Management Strategy

A comprehensive Treasury Management Strategy would include all relevant aspects noted below:

	Item	Comments
	Summary and Recommendations	Confirmation of all regulatory and lender compliance and reporting Recommendations for any policy changes Recommended options, including timescales, for arranging new borrowing requirements
1	Treasury Policy Review	Confirmation that the Policy has been reviewed, and reporting of any recommended or agreed changes
2	Risk Map	Confirmation that the Treasury Risk Map has been reviewed and reporting of any changes; Risk Map to be available as an appendix
3	Current Borrowing Position	Report of <ul style="list-style-type: none"> <li>• current loan and cash position at the preceding year end</li> <li>• summary of current fixed and variable borrowing split and rates, including undrawn but available debt; current margins and fixed rates; future repayment dates; end dates of current fixed rate arrangements; details of counterparties</li> <li>• summary of treasury activity (loan drawdowns and repayments; investment movements) in the preceding financial year</li> <li>• confirmation of loan covenant calculation, compliance and reporting</li> <li>• summary of current security position, including valuations and estimated value of unencumbered stock</li> <li>• compliance with the Policy and Golden Rules in preceding financial year</li> </ul>
4	Summary of the Business Plan	A summary of the key accounting statements, to highlight projected borrowing needs; any projected periods of excess cash; the impact of planned development and of the cost of investment in existing stock Projected calculations of covenants, to highlight any periods of risk Projected liquidity position
5	Future Borrowing	Drawn from the Business Plan summary. Analysis should include options for amounts, types and timing of new debt. Recommendations should include
6	Interest Rate Management	Summary of current and projected fixed and variable rate position. Options for new fixing arrangements if required or desirable
7	Cash and Investment Management	Projection of surplus cash and investment funds, and identification of options for investment and management to maintain liquidity and manage counterparty risk
8	Business Plan Assumptions	Statement of key financial and economic assumptions in the business plan, and commentary on how they have been sourced, with any relevant comparison to prior years and linkage to business plan stress testing



	<b>Item</b>	<b>Comments</b>
9	Funding Market	Review of RSL funding market developments, including active lenders, new and emerging funding options and typical rates and margins
10	Other Points	Confirmation of any external advice (retained or one-off) arrangements



## Appendix 4 - Treasury Management Glossary

Term	Definition
Amortising Repayment	A type of loan with scheduled, periodic payments that are applied to the loan's principal over the life of the loan.
Arrangement Fee	A fee payable by the borrower to the lender when a loan agreement is agreed, usually measured as a % of the loan amount and typically a maximum of 1%
Asset Management	Ensuring that current and future assets (houses, land, garages, shops etc) fully support the organisation's objectives – working towards having the right assets, of the right quality, in the right place, at the right time generating appropriate value to the business plan and 30 year cashflows.
Audit Committee	The committee of the governing body responsible for scrutiny of controls, risk and assurance, as set in the SHR Standard no 4.5.  As a matter of good practice, it is recommended that this function is delegated to a committee separate from the Finance Committee, and which is chaired by a GB member other than the Chair of the GB
Base Rate	Bank of England Base Rate – the key reference rate for borrowing in the UK. Also referred to as Bank Rate
Base Point (BP)	Base Point (BP)
Bonds	Debt instrument where an investor lends to an entity, borrowing funds for a defined period of time at a defined rate. Corporate bonds are bonds issued by companies, including many larger RSLs
Break Cost	The amount to be paid if a fixed interest rate contract is terminated early, usually calculated as the value of the fixed rate interest compared to the market rate at the date of the break.
Budget	The detailed projection of income and expenditure for a financial year, which is used as a target and monitoring tool, by management and governing body
Bullet Repayment	A lump sum payment made for the entirety of an outstanding loan amount, usually at maturity.
Business Continuity Planning	Prepared and tested measures for protection of critical business operations from the effects of a loss, damage or other failure of operational facilities.
Business Plan	A document setting out a landlord's aims and objectives and its financial plans and resources for a specific period.
Capital Expenditure	Expenditure to acquire or improve a long-term asset. Includes new build development and component replacement, such as kitchens, bathrooms, roofs etc.



Term	Definition
Capital Receipts	Money obtained on the sale of a capital asset.
Cashflow	An accounting term that refers to the amounts of cash being received and spent by an organisation during a defined period of time, and the management of the cash receipts and payments of a business to ensure cash balances remain sufficient to ensure debts are paid as they fall due
CCAB	Consultative Committee of Accountancy Bodies. The body that represents the chartered accountancy bodies of the UK and Ireland (ICAS, ICAEW, CAI, CIPFA, ACCA). This definition is also deemed to include CIMA, although it no longer formally participates in CCAB
CIPFA	The Chartered Institute of Public Finance and Accountancy, the professional body for accountants working in local government and other public sector organisations, and the standard setting organisation for local government and public service finance
Contingency Plans	Alternative plans to cover what the organisation will do if circumstances change and the original plans will not work.
Cost of Carry	The difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.
Counterparty	A bank or other institution with whom a borrowing or investment transaction is made.
Counterparty List	List of approved financial institutions for investing and borrowing
Counterparty Risk	The risk of failure by a counterparty to meet its contractual obligations to a borrower or depositor
Covenant	A promise in a loan facility agreement, that defined financial ratios and thresholds will be met or that certain activities will or will not be carried out.
CPI	Consumer Price Index – the UK's main measure of inflation.
Continuous Professional Development (CPD)	The professional requirement to complete defined amounts of training to ensure a qualification is maintained at the appropriate standard
Credit Adjustment Spread (CAS)	An adjustment made to ensure that a SONIA reference rate is as close as possible to the equivalent LIBOR rate, by adding an element to reflect risk to the published SONIA reference rate.  The standard CAS set by the FCA is 0.1193% for a 3 month interest period



Term	Definition
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees. The main rating agencies are Fitch, Standard and Poor's, and Moody's.
Cross Default	Terms in a loan agreement with one lender which state that default with another lender is an event of default
Default	The legal term for the breaking of a loan term or covenant
Derivative	<p>A contract that passes the interest rate risk in a loan from one party to another, for a premium.</p> <p>For example, an RSL with a variable rate debt with Bank A may agree to swap the variable interest for a fixed rate payment to Bank B – the interest rate risk passes to Bank B, which will charge the RSL a premium for so doing.</p>
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation – the accounting term that defines operating surplus adjusted by adding back non-cash costs and deducting non-cash income; the precise calculation will be set out in the Loan Agreement. Used as an indicator of the overall profitability and cash generation of the business
EBITDA-MRI	EBITDA with further adjustments to add back the cash spent on Major Repairs and Improvements to the housing stock, to get closer to the cashflow before loan drawdowns and repayments, and interest; the precise calculation will be set out in the Loan Agreement
ESG (environmental, social and governance)	ESG is the collective term for an organisation's environmental, social and governance standards. ESG includes an organisation's approach to non-financial issues that generate and sustain long-term value including climate change and resource scarcity; equality, diversity and inclusion; health and safety; cyber and data security; board and executive pay; and social and community engagement
EUV-SH	Existing Use Value – Social Housing – the usual valuation method for social housing which recognises that the stock must be used to provide rented housing at social rents, and not be sold. Calculated by totalling rental income over a 30-year period, minus management, maintenance and component replacement costs, with the net figure discounted to allow for inflation.
Financial Projection (or Forecast)	A projection of the organisation's expected financial position based on expected conditions.
Financial Reporting	The process of producing information that disclose an organisation's financial status to appropriate stakeholders.
A&R	The committee to which the Board delegates responsibilities and duties for oversight of financial planning and reporting through its Standing Orders and Committee remit process.



Term	Definition
Fixed and Variable Costs	Fixed costs do not vary with activity, eg cost of Board support; variable costs do, eg repair costs per unit
Fixed Interest Rate	Interest which is fixed for a defined period, which may be all or part of the term of a loan
Fixed Loan	Loan which cannot be repaid without penalty until a defined date, and on which interest is at a fixed rate. The RSL has certainty of funding and cost, but little flexibility if plans change
Floating (or Variable) Interest Rate	Interest which varies in line with a defined reference rate, which will usually be Base Rate or SONIA, as agreed in the loan agreement.
Floating Loan	Loan which can be repaid at a date of the RSL's choice, and on which interest is at a floating rate. The RSL has flexibility in the amount of debt, but is at risk of adverse interest rate movements
Gearing	The level of debt used to support operations, and the ratio of the total historic cost of housing stock to outstanding loans; the precise calculation will be set out in the Loan Agreement. When there is a high proportion of debt to assets the association is said to be highly geared. Sometimes measured against retained reserves rather than assets.
Gilts	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged' being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.
Golden Rules	Golden Rules define key indicators that must be monitored, the frequency of reporting and the performance levels that triggers the need for corrective action
Governing Body (GB)	The Board of an RSL
Governing Body Member (GBM)	A member of the Board of an RSL
Hedging	A strategy to limit risks by taking an offsetting position. The Association enters into fixed interest rate contracts to reduce the exposure to variation in interest rates.
Interest Cover	A measure of the extent to which operating surplus covers interest payments due on loans. It expresses surplus as a ratio of interest payable.  Both surplus and interest will be defined in detail in the loan agreement
ISDA (International Swaps and Derivative Association)	The body that oversees the market in loan derivatives and publishes industry standard documentation and model contracts



Term	Definition
LIBOR	The London Interbank Offered Rate (LIBOR) was the benchmark rate of interest that banks charge to lend money to each other. It acts as a benchmark for short-term interest rates and is used for pricing of loans and interest rate swaps.  LIBOR ceased to be published in Jan 2022, and was replaced by SONIA
Liquidity Risk	The risk that cash will not be available when needed and that the association's business/service objectives will be compromised
Loan Aggregator	A lender that aggregates the funding requirements of several RSLs together to generate a total large enough to support a bond issue
Loan Agreement	The legal agreement between an RSL and its lender, setting out the amount, terms, rates, security and covenant requirements for each loan
Loan Facility	The total amount of debt made available by the loan agreement
Loan Margin	The percentage added to Base Rate or SONIA to fund the lender's risk and profit, and to give the interest cost of a variable rate loan
Key Performance Indicator (KPI)	A set of quantifiable performance measures used regularly and consistently to assess how well an organisation is achieving its objectives or performing particular activities. Each KPI should be compared with a pre-set standard (a benchmark), consistent measures from other organisations, performance in prior periods and clearly defined targets
Maturity	The date when an investment or borrowing is repaid.
Maturity Structure / Profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.
MV-T	Market Value Subject to Tenancy. A valuation method that applies to properties that can be theoretically sold outside of the social housing sector and which allows for a potential sale or private rent, generating a higher value than EUV-SH.
Negative Pledge	An obligation on a borrower in a loan agreement not to allow a third party to have security over an asset secured to a lender
Non Utilisation Costs	The cost charged by lenders on undrawn but available funds, usually set at 40-50% of the margin
Options Appraisal	A structured process for considering alternative choices against appropriate evaluation criteria in order to optimise the achievement of strategic objectives
Peak Debt	The highest forecast level of borrowing in the financial plans, usually measured over 30 years



Term	Definition
Private Finance	Funding borrowed from a private sector lender such as a bank or building society
Private Placement	Debt instrument where an investor lends for a defined period of time, as opposed to a bond sold through a public offering.
Procurement	The way an organisation obtains services or materials from other organisations or agents.
Reference Rate	The rate which is defined in a loan agreement as the basis for variable rate, and to which the lender's margin is added to give the rate payable. Historically, either Bank of England Base Rate or LIBOR were used; from January 2022, SONIA replaces LIBOR.
Refinancing Risk	The risk that significant amounts of debt fall due and need to be replaced at a time when the lending markets are not favourable, meaning cost of new debt will be higher
Revolving Credit Facility (RCF)	A loan which can be drawn, repaid and then drawn again, over a period of years – similar to a personal overdraft, but with security required A loan that provides the borrower with the ability to draw down, repay, and drawdown again.
Risk Management	The process of defining and analysing risks, and then deciding on the appropriate course of action in order to minimise and mitigate these risks.
Scenario Planning	A process of visualising and testing what might happen to affect the organisation's business, what the likelihood and impact would be and how to respond.
Security	The granting of a mortgage over the RSL's housing stock to its lenders, which allows the lender to claim the proceeds from sale of the property to meet outstanding liabilities if the borrower fails to meet repayment obligations
Security Trustee	A security trustee holds security over property on behalf of the owner, and assigns the benefit of that security to one or more lenders as directed by the owner, with the aim of reducing the cost and increasing the flexibility of managing complex security packages and loan portfolios
Sensitivity Analysis	Investigation into how projected performance varies along with changes in the key assumptions on which the projections are based.
SONIA	The Sterling Overnight Index Average. The overnight interest rate paid by banks for unsecured transactions in the British sterling market in circumstances where credit, liquidity and other risks are minimal. It is the new reference rate for UK lending
Strategic Objective	A target that an organisation should achieve to make its strategy work.



Term	Definition
Stress Test	A test that looks at the impact on an organisation's business plan of a major change in one or more variables in order to see what impact this would have.
Swap	An agreement between borrower and lender to exchange one cashflow (usually variable) for another (usually fixed), which has the effect of turning a variable rate loan into a fixed rate one for a defined period.
Syndicates	Arrangements where funds from more than one lender are aggregated and managed by a one lead lender through one loan agreement
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (Interest).
Term Loan	A loan for a specified amount that has a specified repayment schedule
Treasury Management	The management of the organisation's borrowings, investments and cash flows, its banking, money market and capital market transactions and loan management; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009, 2011, 2017 and 2021
Treasury Management Policy	Policy document defining and describing treasury management risks and controls, including reporting and monitoring cycles
Treasury Management Practices	Treasury Management Practices set out the manner in which the Association will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Treasury Management Strategy	Planning document setting out the treasury management actions needed to deliver the financial business plan
Undrawn Debt	Loans which have been arranged in the Loan Facility, but have not yet been drawn as cash
Unencumbered Property	A property that is clear of debt or claims from third parties in the form of mortgages or loan security charges, and thus can be used to provide security for new debt.
Valuation	The value of the housing stock used for security. Usually expressed as %age of the loan amount (eg 120% of loan value). New valuations are typically required every 3 – 5 years
Variable Interest	See Floating Interest above



## Appendix 5 Summary key restrictions on funds

We will manage the list of suitable investment risk within the following general parameters, subject to operational requirements

Ratings	Limits
P1 (Moody's) A1 or higher (S&P) F1 or higher (Fitch)	The higher of: <ul style="list-style-type: none"><li>• £3m</li><li>• 50% of total surplus funds</li></ul>
P2 (Moody's) A2 (S&P) F2 (Fitch)	The higher of: <ul style="list-style-type: none"><li>• £1.5m</li><li>• 20% of total surplus funds</li></ul>
Lower than Prime 2 or equivalent	The higher of: <ul style="list-style-type: none"><li>• £0.75m</li><li>• 10% of total surplus funds</li></ul>

We also apply restrictions based on country, sector, and group characteristics.



## Appendix 6 Delegated authority and annual treasury report

- Scope Previous financial year's treasury activities including annual measures of performance.
- Objective Provide a standalone document that gives a full analysis of treasury activities, plans, policies, and results, independent of other reporting during the year.
- Key points The Annual Treasury Report will incorporate the following specific information:
- An overall summary of treasury operations for the year
  - A compliance report on agreed treasury management policies and practices, CIPFA Code recommendations, and any statutory or regulatory requirements
  - A statement of the proportion of the debt that is hedging including a maturity ladder detailing all hedged borrowing and interest periods within unhedged borrowing
  - An analysis of cash flows compared with budgeted levels and commentary on variations (both positive and negative)
  - A report analysing compliance with permitted borrowings and prevailing regulations, including:
    - Total debt outstanding;
    - Total short-term borrowings;
    - Financial covenant compliance;
  - Confirmation that total permitted borrowing has not been exceeded; and
  - As part of the annual review of the treasury, the Director of Finance & Technology will also review this Treasury Policy to ensure it is fit for purpose and advise of any required amendments.



**Speaking your language - we are happy to translate our policies on request.**

يمكن ترجمة سياساتنا عند الطلب  
إذا كنت بحاجة إلى مساعدة ، فيمكننا توفير مترجم

**Nasze zasady mogą być przetłumaczone na żądanie.  
Jeśli potrzebujesz pomocy, możemy zapewnić tłumacza**

我们的政策可以应要求翻译。  
如果您需要帮助，我们可以提供翻译

ہماری پالیسی کا درخواست پر ترجمہ کیا جاسکتا ہے۔  
اگر آپ کو مدد کی ضرورت ہو تو ہم ایک ترجمان فراہم  
کرسکتے ہیں