

**Treasury Management Policy**

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1. **Purpose**
	1. This policy is intended to ensure that the treasury management activities of the Association 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. **Treasury Management Policy Statement**

2.1 It is the policy of Ruchazie Housing Association Ltd (Ruchazie) that:

2.2 Ruchazie 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

2.3 The content of the policy statement and TMPs follow the recommendations of the
**CIPFA Code of Practice for Treasury Management in the Public Services (CIPFA) (2017 Edition)** (the code) subject only to amendment where necessary to reflect the particular circumstances of Ruchazie. Such amendments will not result in Ruchazie materially deviating from the CIPFA Code’s key principles.

2.4 The Management Committee will receive reports on its treasury and investment management
policies, practices and activities, including, as a minimum, an annual strategy and plan prior to the start of each new financial year, and an annual report after its close in the form prescribed in its TMPs.

2.5 The Management Committee will be responsible for monitoring compliance with Ruchazie’s treasury management policies and practices and monitoring any changes to existing covenants either by lender or through a change in accounting requirements. The Management Committee delegates the execution and administration of treasury management strategy to the Director and Finance Officer who will act in accordance with the organisation’s policy statement, TMPs, and if they are a member of a professional body, the relevant professional standards.

1. **Policy Definition and Objectives**

3.1 Ruchazie defines its treasury management activities as the management of the organisation’s borrowings, investments and cash flows, 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 This policy statement sets out Ruchazie’s policy concerning all of its funding or borrowing from external sources and the lending or investment of surplus cash balances. In addition, the policy covers cash and cash flow management and details the Association’s delegation of responsibility for treasury activity and its reporting requirements.

3.3 Ruchazie 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

3.4 Ruchazie acknowledges that effective treasury management will provide support towards the achievement of its business objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

4.0 **Formulation of Treasury Management Strategy**

4.1 The Finance Officer will prepare and present to the Management Committee a Treasury Management Strategy (“TMS”) annually. The Finance Officer will prepare and present a report each quarter to the Management Committee of all treasury and investment activity including updated cash flow and covenant projections to the financial year end.

4.2 In preparing such a report, the Finance Officer will have due regard for:

• The aggregate of all funds, borrowings and accounts operated by Ruchazie

• The maintenance of Ruchazie’s financial stability and its ability to meet its short and long

 term financial obligations

• Ruchazie’s desire to meet its business plan objectives and service requirements

• The prevailing economic circumstances and forecasts.

• The key treasury risks facing the Associations

4.3 The TMS will include a summary of treasury management activity in the preceding financial
 year and the current financial year, covering:

* Summary of preceding year actual and projected cash flow, and commentary on significant variances (against approved budget / 5-year financial projections);
* 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; and
* The current treasury management risk map.

4.4 The TMS will include forecast cash flows for 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 the next five 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 Ruchazie’s debt portfolio at the end of the next financial year; and ( ie the mix between fixed & variable rate loans)
* Any proposals for amendments to this Treasury Management procedure, including the
Golden Rules, which will require Management Committee approval

5 **Policy Structure**

5.1 This policy is structured to address the 12 Treasury Management Practices (TMP) identified in the code and as set out below:

|  |  |  |
| --- | --- | --- |
| TMP No. |  Section | TMP Description |
| TMP 1 | 6 | Risk management, with TMP 6.1 to 6.12 providing fuller detail on each of the risks set out in the code |
| TMP 2  | 7 | Performance measurement |
| TMP 3 | 8 | Decision-making and analysis |
| TMP 4 | 9 | Approved instruments, methods and techniques |
| TMP 5 | 10 | Organisation, clarity and segregation of responsibilities and dealing arrangements  |
| TMP 6 | 11 | Reporting requirements and management information arrangements |
| TMP 7 | 12 | Budgeting, accounting and audit arrangements |
| TMP 8 | 13 | Cash and cashflow management |
| TMP 9 | 14 | Money laundering |
| TMP 10 | 15 | Training and qualifications |
| TMP 11 | 16 | Use of external service providers |
| TMP 12 | 17 | Corporate governance |

5.2 The Policy is supported by:

* Documented delegation of specific reporting, decision-making and control authorities
by the Management Committee to the Director and Finance Officer.
* A detailed risk map for treasury activities, maintained by the Finance Officer and
reported annually to the Management Committee; and
* A schedule of relevant data, maintained by the Finance Officer and reported
annually to the Management Committee with the treasury management strategy.
* The policy is supported where appropriate by detailed procedure notes for staff involved in particular transactions.

6.0 **TMP1 - Risk Management**

6.1 **General Statement of Risk Management**

6.1.1All treasury management activities involve risk and potential reward.

6.1.2 The policy of Ruchazie in the investing of cash is to achieve a satisfactory return while minimising risk. The overriding principle is to minimise risk rather than to maximise return.

6.1.3 The policy of Ruchazie in borrowing funds is to ensure the stability of the Association’s long- term financial position by borrowing on the most economically advantageous terms having regard to certainty and stability of funding over different time horizons and the costs and risks associated with refinancing.

6.1.4 This policy sets out for each identified risk area, the scope of each risk, and the approach to measuring and mitigating each risk. In each case it is the responsibility of the Management Committee to set and agree policy decisions and limits, and to ensure that there are sufficient resources available to meet the requirements of this Policy.

6.1.5 The Director in conjunction with the Finance Officer:

* 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 Ruchazie’s Management Committee; and
* Will report to the Management Committee, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving Ruchazie’s objectives in this respect.

6.1.6 Long term cash flow forecasts and treasury management strategy will be included in the
 annual business planprepared for Management Committee approval.

6.1.7 Significant variations to cash flow forecasts will be reported to the Director and to the
 Management Committee as part of Ruchazie’s quarterly treasury management reporting, highlighting any significant variations from the financial projections, and any impact on projected borrowing requirements, loan repayments, fixed rate maturities or surplus cash balances.

6.1.8 The annual reporting timetable is set out in section 11.0 (Reporting requirements and
 management information arrangements) below.

6.1.9 Ruchazie has adopted a detailed risk management statement set out below (section 6.2 – 6.12) for each of the treasury management risks identified in the CIPFA Code as referred to as Treasury Management Practices (“TMPs”).

6.2 **Lending Counterparties**

6.2.1 The risk of failure by a counterparty to meet its contractual investment or borrowing obligations to the organisation particularly as a result of the counterparty’s diminished creditworthiness, and the resulting detrimental effect on the organisation’s resources.

6.2.2 Ruchazie regards as a prime objective of this policy, to be one where loan facilities are arranged only with those organisations, which 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 Ruchazie, in accordance with the terms of the loan agreement.

6.2.3 Ruchazie will maintain lists of approved lending counterparties. Institutions may only be added to the list with the prior approval of the Management Committee. The list will be included in the annual TMS approved by the Management Committee, and any amendments will be presented to the Management Committee for approval as and when required across the year.

6.2.4 Ruchazie will only borrow from institutions that meet the below criteria, after approval from the Management Committee. 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 Management Committee, lenders must have minimum credit ratings of:

|  |  |  |
| --- | --- | --- |
| **Credit Rating Agency** | **Minimum Short-Term Rating** | **Minimum Long-Term Rating** |
| Moody’s | P-1 | A3 |
| Standard & Poor’s | A-1 | A |
| Fitch Ratings | F1 | A |

6.2.5 Borrowing may not exceed £200 million in accordance with the Association’s rules (Rule 18.1).

6.2.6Ruchazie 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,
MORhomes and bLEND
* Scottish Government supported initiatives such as the Allia C&C Bond programme.

6.3 **Investment and Deposit Counterparties**

6.3.1 This risk is defined by Ruchazie to be the risk of loss in the value of realisable investments / deposits through failure of a counterparty and particularly as a result of the counterparty’s diminished creditworthiness, having a detrimental effect on Ruchazie’s resources.

6.3.2 Ruchazie regards as a prime objective of this policy to be the security of the principal sums it invests or places on deposit. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited.

6.3.3 Ruchazie will maintain lists of approved investment counterparties. Institutions may only be added to the list with the prior approval of the Management Committee. The list will be included in the annual TMS approved by the Management Committee, and any amendments will be presented to the Management Committee for approval as and when required across the year.

6.3.4 Ruchazie 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; or
* Any other institutions that may be specifically approved by the Management Committee
on the basis of professional advice.

6.3.5 Ruchazie will only invest with 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:

|  |  |
| --- | --- |
| **Credit Rating Agency** | **Minimum Short-Term Rating** |
| Moody’s  | P-1 |
| Standard & Poor’s  | A-1 |
| Fitch Ratings  | F1 |

6.3.6 Ruchazie 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.

6.3.7 Should Ruchazie 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 Ruchazie’s
 minimum creditworthiness criteria, the investment should be withdrawn from the institution
 upon maturity unless otherwise approved by the Management Committee as an exception to
 policy.

6.3.8 The maximum sums available for investment shall be determined by the excess in funds over and above short-term operational liquidity as defined under section 6.5.

6.3.9 The Management Committee will set a limit for the amount that may be invested in any one

institution at any point. Given current sums available for investment, no more than 50% of the available balance, up to a maximum of £500k shall be invested in any one institution or banking group. All deposits will have a maturity not exceeding 365 days.

6.3.10 These limits apply at all times to the cumulative total of surplus funds available for investment. The sole exception to the rule will apply where Ruchazie receives funds unexpectedly in which case deposits may be made with Ruchazie’s day-to-day bank for periods of up to 30 days, and promptly reported to the Management Committee.

6.3.11 The limits do not apply to the value of funds held in day-to-day business banking accounts with the institutions providing a basic banking service.

6.3.12 The Finance Officer is responsible for monitoring investment counterparties and ensuring that they meet the credit worthiness criteria. The Director in conjunction with the Finance Officer is authorised to deposit or invest funds only with institutions approved by the Management Committee as part of this procedure.

6.4 **Environmental, Social and Governance Risk Considerations**

6.4.1Ruchazie 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.

6.4.2 Existing and prospective counterparties will be required to provide the organisation with
 copies of their ESG strategies every 3 years. Where the Management Committee is not satisfied that a counterparty’s ESG objectives and strategy are consistent with Ruchazie’s, then Ruchazie will cease to place investments with that counterparty and in the case of lenders, alternative borrowing options will be considered.

6.5 **Liquidity Risk Management**

6.5.1 The risk that cash will not be available when it is needed, or that ineffective management of liquidity creates additional unbudgeted costs, compromising the organisation’s business/service objectives.

6.5.2 Ruchazie regards as a prime objective of this policy, the availability of adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it, at all times, to have the level of funds that are necessary for the achievement of its business plan objectives.

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

6.5.4 The principal factor governing the exposure of surplus funds is Ruchazie’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.

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

6.5.6 Operational liquidity **required** is defined as equating to three months operational expenditure, including:

* Staff and overhead costs;
* Revenue, void and major repair (including component replacement) costs; and
* Loan interest and repayments.

6.5.7 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.

6.5.8 Ruchazie defines operational liquidity as **including**:

* Cash at bank – business banking current account;
* Instant access accounts
* Notice and term deposit accounts which are available at no more than three days’ notice;
* Confirmed but undrawn overdraft facilities

6.5.9 Capital Funding Liquidity required is measured as:

* All cash flow 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.

6.5.10 Ruchazie regards Capital Funding Liquidity as **including**:

* Cash and current account balances
* Instant access, notice and term deposit accounts
* Bank overdraft facilities
* Committed financing facilities, where these facilities are fully charged and available for drawdown on request or at an agreed date which is within the period of the liquidity assessment.
* Housing Association Grant (“HAG”) agreed as part of committed project;

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

6.5.12 Regardless of the levels of operational liquidity calculated, Ruchazie will maintain a minimum cash balance (excluding all deposits and overdrafts) of £300,000 in its business banking current account

6.5.13 The Management Committee will approve a minimum liquidity requirement as part of the annual financial strategy but will not approve a requirement which falls below the minimum cash balance of £300,000.

6.6 **Interest Rate Management**

6.6.1 The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation’s finances against which the organisation has failed to adequately protect itself.

6.6.2 Ruchazie regards as a prime objective of this policy, the management of exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with its approved budget.

6.6.3 Ruchazie 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.

6.6.4 Ruchazie will adopt a relatively risk averse policy on interest rate management and should favour fixing interest rates whenever the financial and economic conditions are suitable.

6.6.5 The TMS will consider the sensitivity of Ruchazie’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, the Finance Officer will consider the current levels of short-term and long-term
interest rates and independent forecasts of future changes in interest rates, and prepare a
recommendation for approval by the Management Committee on the maximum proportion of
Ruchazie’s total borrowing which is subject to variable rates of interest.

6.6.6 The Management Committee will regularly review the broad parameters regarding the acceptable proportions of fixed and variable rate loans. Unless otherwise approved by the Management Committee, Ruchazie will ensure that the proportion of total outstanding debt, which is exposed to variable costs of funds, including bank and building society base and SONIA rates, is no higher than 40%. Debt which is on a fixed rate arrangement that expires in less than 12 months must be regarded as variable for this purpose.

6.7 **Exchange Rate Management Strategy**

6.7.1 The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation’s finances against which the organisation has failed to adequately protect itself.

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

6.8 **Inflation**

6.8.1 Inflation risk is defined as the risk that level of inflation within the economy or the sector impacts the overall costs of funding and/or impacts the level of funding required to support business plan objectives.

6.8.2 Ruchazie will keep under review the effects of varying levels of inflation, insofar as they can be identified as impacting on treasury management activities and any such effects will be assessed as part of the annual budget setting and stress testing, which will seek to assess and mitigate risk.

6.9 **Exposure to Refinancing Risk**

6.9.1 The risk that maturing borrowings cannot be refinanced on terms that reflect the provisions made by the organisation for those re-financings, and/or that the terms are inconsistent with prevailing market conditions at the time.

6.9.2 Ruchazie’s loan portfolio will be structured so as to ensure that:

* it will be able to meet all repayments of principal as required under the relevant loan documentation
* it complies with loan covenants and ‘soft’ covenants as defined under the relevant loan documentation
* it 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.

6.9.3 The Finance Officer will report at least annually to the Management Board through an annual treasury report on any borrowing which are scheduled to mature within the next three years and identify the plans or range of opportunities available to Ruchazie to refinance those borrowings.

6.9.4 The Director in conjunction with the Finance Officer will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before the Management Committee in sufficient time to enable due consideration to be given to them, and to ensure that loan facilities are put into place before additional funds need to be drawn. In doing so, at least 18 months should be allowed for completion of a new loan agreement and security with a new lender.

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

6.10 **Legal and Regulatory Framework**

6.10.1 The risk that the organisation fails to operate within legal powers, regulatory requirements or internal governance framework to the extent that lenders or regulators are forced to act.

6.10.2 The Director in conjunction with the Finance Officer is responsible for ensuring that any borrowing or investment transaction is permitted by Ruchazie’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 Director is empowered to take appropriate external advice as required to satisfy this.

6.10.3 Ruchazie will meet its reporting obligations in respect of its treasury operations including:

* The completion and timely reporting of the annual loan portfolio return to SHR and any necessary in-year returns
* Quarterly and annual reporting to lenders as required under the terms of the relevant lending facility agreements

6.10.4 Ruchazie maintains a robust system of internal controls. 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.

6.10.5 The Finance Officer 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 the Management Committee prior to approval of the
transaction.

6.11.1 **Operational Risk**

6.11.2 The risk that internal controls fail to prevent fraud or corruption (from internal or external sources, and including money laundering), resulting in financial and reputational damage.

The risk that internal controls fail to prevent significant error in planning, reporting or decision-making

6.11.3 Ruchazie 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.

6.11.4 The Audit & Risk Committee will ensure that it receives assurance within the 3-year rolling internal audit programme on key treasury risks and risk management.

6.11.5 The risks and subsequent mitigation associated with treasury management will be assessed and controlled with reference to the undernoted policies and procedures:

* Risk Management Policy
* Anti-Fraud Policy
* Financial Regulations

6.12 **Price Risk Management Risk**

6.12.1 Price risk is defined as the risk that movements in the market price of investments will impact
adversely on the value of Ruchazie’s investments.

6.12.2 Ruchazie will only make investments subject to price risk with the prior approval of the Management Committee, and after professional advice has been reported to and discussed by the Management Committee.

6.12.3 Movements in the value of investments will be monitored quarterly by the Finance Officer and reported to the Management Committee as part of the routine financial reporting process.

7.0 **TMP 2 - Performance Measurement**

7.1 **Existing Borrowing**

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

7.2 **New Borrowing**

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

7.3 **Treasury Investments**

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

7.3.2 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 process set by Ruchazie in section 6.2 above (Lending and deposit
counterparties). The assessment undertaken will include a comparison of the returns
achieved by Ruchazie 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.

7.4 **Externally Managed Investments**

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

7.5 **External Services**

7.5.1 The TMS will report on external services provided in the previous year and contracted for in
the forthcoming year. The Director in conjunction with the Finance Officer is responsible for recommending any changes in the scope of any such service procured.

7.5.2 Best value in treasury management services will be ensured by tendering for these services
on a periodic basis, in line with Ruchazie’s Procurement policy. 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.

8.0 **TMP 3 -** **Decision-Making and Analysis**

8.1 All treasury management decisions made during the year will be in accordance with the most
recent TMS, unless specifically approved by the Management Committee, and in compliance
with the Rules, Standing Orders and Financial Regulations. In making key decisions regarding its treasury management activities, Ruchazie will ensure that proper consideration is given to all relevant factors. These will include:

* The powers of Ruchazie and regulatory requirements;
* Budgetary constraints and financial plan projections;
* Financial covenants;
* Prevailing and forecast economic conditions; and
* Available funding and treasury management options.

8.2 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 the Finance Officer for consideration and decision by the Management 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.

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

9.0 **TMP 4 -** **Approved Instruments, Methods and Techniques**

9.1 **Borrowings**

9.1.1 The Finance Officer will maintain accurate, complete and up to date data on all treasury
management instruments in an appropriate format. This will be presented to the Management Committee annually, with the TMS.

9.1.2 In entering into any new loans, Ruchazie 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; and
* Has been compiled by suitably qualified advisors

9.1.3 Any new loan documentation must be approved by the Management Committee with the
 benefit of appropriate advice from officers of Ruchazie, Ruchazie’s solicitors or other legal advisers, and other such specialist advice as the Management Committee may require. *TMP 5 - Responsibility for Treasury Management sets out the delegation of this authority in relation to borrowing and lending activities.*

9.1.4 The Finance Officer will prepare a report to the Management Committee 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 RSLs, 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 and an analysis of
Ruchazies’s ability to meet those limits;
* Security requirements - basis of valuation and level of cover and assets to be charged;
* Purpose (with cash flows if applicable);
* Comparison with alternatives;
* Compliance with TMS, Rules and regulatory and statutory requirements;
* Arrangements for drawdowns;
* Details of independent professional financial and legal advice, including confirmation
of powers to enter into transaction; and
* Any other matters which might assist the Management Committee in considering the
proposal, or are required by the lender, any advisor or any regulator to be brought to
the Management Committee’s attention.

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

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

9.2 **Treasury Management Investments**

9.2.1 The Director in conjunction with the Finance Officer has delegated authority to invest the surplus cash funds of Ruchazie in accordance with the TMS and in accordance with the terms of this Policy.

9.2.3 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, devolved government and local authority securities (treasury bills and gilts); and
* 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 section
6.3 above (Lending and deposit counterparties).

9.2.4 Tradable instruments (second and forth bullet points 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. Ruchazie will only use money brokers if approved by the Management Committee.

9.2.5 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 Finance Officer to ensure compliance with this procedure
and made available to auditors on demand.

9.2.6 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.

10.0 **TMP 5 - Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements**

10.1 Ruchazie has drawn up and approved a scheme of delegation for the operation of the Treasury Management policy, as set out at appendix 1.

10.2 The Director in conjunction with the Finance Officer 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 Director will be responsible for the regular review of records and procedures to ensure compliance with this procedure (and corresponding policy).

11.0 **TMP 6 -** **Reporting Requirements and Management Information Arrangements**

11.1 The Finance Officer reports to the Management Committee / Audit & Risk Sub-Committee on
treasury activities as shown below:

|  |  |
| --- | --- |
| **Item** | **Frequency** |
| Updated cash flow forecasts for 60 months from the reportdate (*Treasury Management Report*) | Quarterly |
| Covenant calculation report (*Treasury Management Report*) | Quarterly |
| Cash and deposit management report including details ofdeposits placed and interest earned (*Treasury Management Report*) | Quarterly |
| Loan summary report covering all existing and committedfunding and including details of lender, interest basis andfinancial covenants (*Treasury Management Report*) | Quarterly |
| Management Accounts  | Quarterly |
| TMS incorporating five-year cash flow forecasts, withassociated borrowing and interest rate strategy; projectedliquidity and funding needs; covenant projections; businessplan assumptions; and funding market and options. | Annually, by 31 May |
| Annual treasury management report, summarising loanand deposit movements in the preceding financial year,and confirming:• covenant compliance at the financial year end;• compliance with the treasury management policy /procedure;• submission of all required reports and returns tothe SHR and lenders; and• any relevant internal audit reports. | In the first quarter of thenew financial year, andbefore Audit & RiskCommittee / Management Committee considerationof the Statement of InternalFinancial Control and SHRAnnual AssuranceStatement.This may be included withinthe TMS. |

11.2 Separately, the Finance Officer will report to the Management Committee on submission of any required reports to lenders. This will include (but is not limited to) management accounts; audited accounts and associated audit reports; five-year financial plan and forecasts; covenant compliance certificates; valuation reports.

12.0 **TMP 7 - Budgeting, Accounting and Audit Arrangements**

Treasury management activity will be subject to internal audit review at agreed intervals, with the Audit & Risk Committee receiving a report from the internal auditors.

13.0 **TMP 8 - Cash and Cash Flow Management**

13.1 Ruchazie annually prepares a 30-year financial plan, covering all the activities of the Association. This includes a 30-year cash flow forecast, incorporating current
borrowing arrangements and identifying projected borrowing needs and investment
opportunities.

13.2 Based on this, the Finance Officer will prepare a detailed forecast for a period 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.

13.3 The cash flow projection will be updated quarterly and reported with the management
 accounts to the Management Committee, highlighting changes from the previous projection, explaining how they affect future borrowing requirements and highlighting any increased treasury risks, such as liquidity or covenant compliance.

14.0 **TMP 9 - Money Laundering**

14.1 Ruchazie 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.

14.2 No loan shall be taken from, nor any deposit made with, any organisation or individual
without the prior written approval of the Director, or which does not comply with
Ruchazie's lending or investment criteria at section 6.2 above. In granting consent to a loan to, or deposit from a new organisation or individual, the Director in conjunction with the Finance Officer will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The Director will maintain a written record of such verification and the details provided by the organisation or individual.

14.3 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 the
Management Committee.

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

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

15.0 **TMP 10 - Training and Qualifications**

15.1 Ruchazie 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.

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

16.0 **TMP 11 - Use of External Service Providers**

16.1 **Bankers**

16.1.1 Ruchazie’s lead banking provider is Royal Bank of Scotland plc (“RBS”). Performance and value for money of banking services will be reviewed at least every five years, and, if the Management Committee considers it appropriate, retendered.

16.1.2 Approval to appoint new bankers is reserved to Ruchazie’s Management Committee.

16.2 **Treasury Management Advisers**

16.2.1Ruchazie may appoint external professional advisors on an ongoing and/or one-off basis. Any
 appointment must be in line with Ruchazie’s Procurement policy. Any procurement exercise
 would be overseen by the Director.

17.0 **TMP 12 - Corporate Governance**

17.1 Ruchazie 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.2420R(S)) under the Cooperative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No. HCB 277) under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SC041911. It is governed by an independent Board elected by its membership, referred to as the Management Committee.

17.2 The Management Committee of Ruchazie maintains a committee structure which includes a Audit & Risk Sub-Committee. The remit of each is set out in formal committee remit documentation ‘Standing Orders’.

17.3 The Audit & Risk Sub-Committee provides structured, systematic oversight of Ruchazie’s governance, risk management, and internal control practices. The Audit & Risk Sub-Committee reviews these and provides the Management Committee with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices, including from external and internal audit.

17.4 The Chair of the Management Committee cannot be a member of the Audit & Risk Sub-Committee, but may attend meetings of, if invited by the Chair of the Audit & Risk Sub-Committee. External and internal audit providers have a right of direct access to the Audit & Risk Sub-Committee, without reference to the Chair of the Management Committee, the Director or other members of Ruchazie’s staff team.

18.0 **Implementation and Review**

18.1 **Implementation**
The Director in conjunction with the Finance Officer is responsible for ensuring that this policy, is followed by Management Committee members and employees with treasury management responsibility.

18.2 **Review**
The Finance Officer will ensure that this procedure is reviewed at least every three years.

**Appendix 1**

**Scheme of Delegation for Treasury Management Policy**

|  |  |
| --- | --- |
| **Delegated Power** | **Exercised By** |
| Approval and amendment of Treasury Management Policy  | Management Committee |
| Approval of Treasury Management Strategy  | Management Committee |
| Review of Treasury Management Risk Map  | Audit & Risk Committee |
| Application of approved strategy  | Director & Finance Officer |
| Amendments to lists of counterparties  | Management Committee |
| Acceptance of loan offers, approval of loan agreements and granting of security  | Management Committee |
| Acceptance of loan offers and arrangements for approved schemes, which cannot wait until the next Board meeting, and within delegated authority from the Management Committee | Chair or Vice Chair of Management Committee plus the Director.Any action taken to be reported to thenext Management Committee meeting. |
| Drawdown of approved loan facilities in accordance with the TMS  | Director & Finance Officer |
| Investment of surplus funds  | Director & Finance Officer |
| Approval of bankers  | Management Committee |
| Opening new bank or building society accounts | Director & Finance Officer |
| Hedging and other interest rate management  | Director & Finance Officer |

**Appendix 2**

**Treasury Golden Rules and Triggers**

The following table provides an overview of the key treasury limits, or Golden Rules, set out within the policy and the trigger points which would require mitigating actions to be undertaken.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Treasury Metric** | **Measure**  | **Golden Rule** | **Trigger Level** | **Action** |
| Short-term Operational Liquidity  | Projected lowest level in the next 3 months  | Minimum balance of £200,000 held in business banking current a/c  | Cash balances fall to within £50k of limit  | When trigger reached, Finance Officer to present funding proposal  |
| Capital Funding Liquidity | Projected lowest level in the next 24 months  | 24 months of commitments funded from existing or undrawn secured debt | Less than 24 months of commitments funded | Quarterly update to Management Committee, present plan to ensure Golden Rule is not compromised |
| Maximum Deposit Counterparty Exposure  |  | No more than 50% of total **surplus** funds available for investment or maximum of £500k - whichever is lower | Counterparty investment reaches 40% of available surplus funds *or* £400k | When trigger reached, Finance Officer to present alternative investment options |
| Proportion of variable rate loans where best practice would be for at least:60% of debt to be fixed / 40% variable | ‘Variable’ includes fixed arrangementswhich expire within 12 months | Maximum variable rate - 40% | More than 35% |

|  |
| --- |
| Projected position for subsequent 18 months to be presented to Management Committee and actions identified.  |

 |
| Refinancing Risk -Proportion of debt that will need to be refinanced orwhere fixed rate arrangementsmature | Measured acrossthe next 12 calendarmonths | Maximum 25% | Maximum 20% | When trigger reached, Director to present funding proposal |
| RBS Covenant – Interest Cover: EBITDACovenant Interest Cover Headroom: *(Operating Surplus - Net Interest) / Net Interest* | Quarterly projection for current & next financial year  | RBS minimum target:110% RHA minimum target:150% RHA minimum interest cover headroom target: 1.5 | Whichever trigger is first:Covenant drops to 160%  *or*Interest cover headroom drops to 1.6 | Management accounts identify source of variance and note recommendations to ensure covenant compliance. |
| RBS Covenant – Gearing: Debt as a proportion of Net Worth  | Quarterly projection for current & next financial year | No more than 30% | Gearing exceeds 28% | Management accounts identify source of variance and note recommendations to ensure covenant compliance. |
| RBS Covenant - Asset Cover: EUV-SH of secured stock value: loan balances outstanding   | Most recent Valuation report and quarterlyprojected debt for current and nextfinancial year | Minimum of lender requirement - 110% (*1.1: 1*)Associations minimum target – 130% (*1.3:1*)  | Asset cover drops to 140% or below | Forward projection of asset cover to be presented to Director to assess implications of planned treasury cash flows and / or security charging exercises. Management Committee to be advised of any material risks. |

**Appendix 3 – Annual Treasury Management Cycle**

|  |  |  |
| --- | --- | --- |
| **Item** | **Date / Frequency** | **Responsibility** |
| Preparation of annual budget, 5 and 30-year business plan including cash flow and funding analysis | 31st January | Director in conjunction with Finance Officer |
| Approval Annual budget and 5-year business plan | 28th February | Management Committee |
| Submission of business plan and budget to lenders  | 31st March | Finance Officer |
| Confirm insurance renewal and provide supporting documentation to lenders as required | 31st March | Finance Officer |
| Complete SHR FYFP returns (submission deadline 31st May) | 31st May | Finance Officer (with approval from Management Committee) |
| Complete SHR Loan Portfolio return (submission deadline 30th June) | 30th June | Finance Officer (with approval from Management Committee) |
| Treasury Management strategy and annual treasury management report | 31st May | Finance Officer (reporting to Management Committee) |
| Submit audited accounts and management letter to SHR, lenders, FAC and OSCR ( submission deadlines respectively are: 30/9; 30/09; 31/10; 31/12) | 30th Sept | Finance Officer  |
| Submit covenant certificates to lenders | 30th Sept  |  |
| Quarterly management accounts and treasury management reports (including Golden Rules and lenders checklist) | Quarterly | Finance Officer |
| Arrange valuation reports for secured stock | As required and identified in annual treasury report  | Finance Officer |