

# TREASURY MANAGEMENT POLICY

**Approved On  
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### Treasury Management Policy

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## Introduction

This is the treasury management policy of West of Scotland Housing Association (WSHA).

It is intended to ensure that the treasury management activities of WSHA 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**.

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

It is supported by:

- Documented delegation of specific reporting, decision-making and control authorities by the board to the audit committee, the Chief Executive and the Director of Finance
- A detailed risk map for treasury activities, maintained by the Director of Finance and reported bi-annually to the audit committee
- A schedule of relevant data in the format outlined in the SFHA Treasury Management Guidance, maintained by the Director of Finance and reported annually to the board with the treasury management strategy
- Relevant sections of the job description and person specification for the Chief Executive and the Director of Finance posts
- Detailed procedure notes for specific processes and controls, under the control of the Director of Finance

## Policy Statement

It is the policy of WSHA that,

1. WSHA will create and maintain, as the cornerstones for effective treasury and investment management:
  - a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
  - investment management practices (IMPs) for investments that are not for treasury management purposes, where appropriate
2. The content of the policy statement, TMPs and IMPs follow the recommendations of the CIPFA Code, subject only to amendment where necessary to reflect the particular

circumstances of WSHA. Such amendments will not result in WSHA materially deviating from the CIPFA Code's key principles.

3. The board will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.
4. WSHA board retains responsibility for the implementation and regular monitoring of its treasury management policies and practices, and delegates responsibility for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management, or other relevant professional standards.
5. The board delegates responsibility to the audit committee for ensuring effective scrutiny of the treasury management strategy and policies.

### **Policy Definition and Objectives**

1. WSHA defines its treasury management activities as the management of the organisation's borrowing, investments and cashflows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.
2. WSHA regards the successful identification, monitoring and control of risks 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 WSHA and any financial instruments entered into to manage these risks.
3. WSHA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

## Policy Structure

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

<b>TMP 1</b>	Risk management, with TMP 1.1 to 1.9 providing fuller detail on each of the risk set out in the Code
<b>TMP 2</b>	Performance measurement
<b>TMP 3</b>	Decision-making and analysis
<b>TMP 4</b>	Approved instruments, methods and techniques
<b>TMP 5</b>	Organisation, clarity and segregation of responsibilities and dealing arrangements
<b>TMP 6</b>	Reporting requirements and management information arrangements
<b>TMP 7</b>	Budgeting, accounting and audit arrangements
<b>TMP 8</b>	Cash and cashflow management
<b>TMP 9</b>	Money laundering
<b>TMP 10</b>	Training and qualifications
<b>TMP 11</b>	Use of external service providers
<b>TMP 12</b>	Corporate governance

2. The policy is supported where appropriate by detailed procedure notes for staff involved in particular transactions.

## TMP 1 – Risk Management

### General statement of Risk Management

1. The Chief Executive and Director of Finance will prepare and present to the board a Treasury Management Strategy (TMS) annually, and the Director of Finance will prepare and present a report each quarter to the board of all treasury and investment activity. This report may be included within the management accounts paper.
2. The TMS will include a summary of treasury management activity in the preceding financial year and the current financial year, covering:
  - Summary of actual and projected cashflow, and commentary on significant variances
  - Loan drawdowns in the preceding 12 months
  - Loan repayments in the preceding 12 months
  - A summary of the hedging position between fixed and floating rate debt in the current loan portfolio, and any changes to interest rate structure on existing loans, such as maturing or new loan fixes
  - Statement of actual and projected covenant compliance and headroom for all covenants for all lenders

- Summary of loan security position
  - Summary of cash deposit position and activity since the previous TMS
  - Summary of investment portfolio position and activity since the previous TMS
  - The current treasury management risk map
3. The TMS will include forecast cashflows for at least three financial years, as well as
- Analysis of current prevailing short and long-term interest rates, comparison with historical trends and projected trend movements over the next financial year. This data will be supported with externally gathered expert opinion
  - A statement of borrowing requirements for at least the next three years together with a strategy for funding this requirement
  - A statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next 12 months
  - A recommendation as to the mix of fixed, variable and index linked interest rates to apply across WSHA'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 (see Schedule 1), which will require board approval
4. The Director of Finance will prepare and present a report each quarter to the board of all treasury and investment activity in the quarter, with updated cashflow and covenant projections to the financial year end. This report may be included within the management accounts paper.
5. The Director of Finance:
- 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 the audit committee and
  - Will report to the Chief Executive, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving WSHA's objectives in this respect
6. Long term cashflow forecasts and treasury management strategy will be included in the annual business plan prepared for board approval.
7. Significant variances to cashflow forecasts covering the next 24 months will be reported to board on a quarterly basis, highlighting any significant variations from the business plan, and any impact on projected borrowing requirements, loan repayments, fixed rate maturities or surplus cash balances.
8. All in accordance with the procedures set out in TMP 6 Reporting Requirements and Management Information Arrangements

9. WSHA has adopted a detailed risk management statement set out below for each of the treasury management risks identified in the CIPFA Code as referred to as Treasury Management Practices (TMP)

**TMP 1.1: Lending and Deposit Counterparties**

WSHA will maintain lists of approved lending and deposit counterparties. Institutions may only be added to either list with the prior approval of the board.

**Lending Counterparties**

WSHA may borrow from:

- a. Banks and building societies; authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, or their EU equivalent for European Banks;
- b. Financial institutions (pension funds, insurance companies etc) through public bond issues, private placements or bilateral loans;
- c. Bond aggregators such as The Housing Finance Corporation, GB Social Housing, MORhomes and bLEND
- d. Scottish Government supported initiatives such as the Allia C&C Bond programme

Loan facilities will be arranged only with organisations that are judged to have sufficient financial strength to ensure that the funds committed under the facilities will be available as and when they are required by WSHA in accordance with the terms of the loan agreement. This will normally mean that lending organisations are at least investment grade (Rated 'BBB' or higher by Standard and Poor's or 'BAA' or higher by Moody's), are able to demonstrate a long-term commitment to the Scottish social housing sector and unless otherwise approved by the board, lenders must have minimum credit ratings of:

	Minimum Short-Term Rating	Minimum Long Term Rating
Moody's	P-1 (reflects a superior ability to repay short-term obligations)	A3 (has financial backing and cash reserves with low risk of default)
Standard & Poor's	A-1 (strong capacity to meet its financial obligations)	A - (as above)
Fitch Ratings	F1 (strong capacity for timely payment of financial commitments)	A - (strong prospects for ongoing viability)

**Investment and Deposit Counterparties**

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

The Director of Finance is authorised to deposit or invest funds only with institutions approved by the board as part of the policy.

**Exposure**

The board 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. All deposits will have a maturity not exceeding 365 days, i.e. the notice period for withdrawal of amounts on deposit should not exceed 1 year. This excludes the value of funds that may be held in day-to-day banking accounts with the institutions providing a basic banking service and funds invested with local authorities.

The sole exception to the rule above will apply where WSHA receives funds unexpectedly in which case deposits may be with WSHA’s day-to-day bank for periods of up to 7 days, and promptly reported to the Chief Executive and the board.

**Creditworthiness**

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

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

The Director of Finance is responsible for monitoring investment counterparties and ensuring that they meet these criteria.

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

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



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

Should WSHA 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 WSHA's minimum creditworthiness criteria, the investment should be withdrawn from the institution upon maturity unless otherwise approved by the board as an exception to policy.

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

WSHA 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.

Existing and prospective counterparties will be required to provide the organisation with copies of their ESG strategies every 3 years. Where the Chief Executive/Director of Finance is not satisfied that a counterparty's ESG objectives and strategy are consistent with WSHA's, then WSHA will cease to place investments with that counterparty and in the case of lenders, alternative borrowing options will be considered, including timescales and costs of moving from the lender.

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

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

WSHA 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 WSHA'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 ensure that funds are available when required.

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

- Staff and overhead costs;
- Revenue, void and major repair (including component replacement) costs;

- Loan interest and repayments

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

WSHA defines operational liquidity as including:

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

**Capital Funding Liquidity** required is measured as

- All cashflow projected in the 24 months from the projection date, with the exception of any sales income and capital grant income, on the assumption that patterns of receipts and expenditure occur as projected

WSHA regards Capital Funding Liquidity as including:

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

In considering availability of committed facilities, any forecast event which may influence WSHA's ability to drawdown must be taken into account. The board will approve a minimum liquidity requirement as part of the annual financial strategy but will not approve a requirement which falls below the following minimum levels:

Regardless of the levels of operational liquidity calculated, WSHA will maintain a minimum cash balance (excluding all deposits and overdrafts) of £2m in instantly available bank accounts.

WSHA'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 Director of Finance and approved by the board as set out below.

The TMS will consider the sensitivity of WSHA'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 Director of Finance 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 board on the maximum proportion of WSHA's total borrowing which is subject to variable rates of interest.

Unless otherwise approved by the board, WSHA 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.

In preparing the TMS, the Director of Finance will consider the aggregate of all available funds, borrowings and accounts operated by WSHA.

Based upon the annual forecast, the Director of Finance will prepare quarterly rolling forecasts of the short-term surplus cash and borrowings of WSHA 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 the board on a quarterly basis

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

WSHA 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 the board.

WSHA 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**

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

### **TMP 1.5: Inflation**

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

WSHA'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, WSHA complies with loan covenants and WSHA is not exposed to significant refinancing risk, which is defined as not more than 25% of debt falling due for

refinancing (including fixed rate arrangements maturing) in any 12 month period. Any deviation from this policy requirement must be approved in advance by the WSHA board.

The Director of Finance will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before the board 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.

WSHA 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**

The Director of Finance is responsible for ensuring that any borrowing or investment transaction is permitted by WSHA'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 of Finance is empowered to take appropriate external advice as required to satisfy this. WSHA 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.

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

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

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

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

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

Price risk is defined as the risk that movements in the market price of investments will impact adversely on the value of WSHA's investments. WSHA will only make

investments subject to price risk with the prior approval of the board, and after professional advice has been reported to and discussed by the board. Movements in the value of investments will be monitored quarterly by the Director of Finance and reported to the board.

## **TMP 2 – Performance Measurement**

### **Existing Borrowing**

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

### **New Borrowing**

The Director of Finance will record the interest rate secured and other costs payable by WSHA 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 board in the annual TMS. Any new borrowing requirements will be subject to a separate paper for board approval.

### **Treasury Investments**

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

Consideration will be given in the review to alternative methods of investment and investment instruments, and whether they might be used to increase the level of return on investments within the policy set by WSHA in TMP 1.1. The assessment undertaken will include a comparison of the returns achieved by WSHA with appropriate market comparators (including bank deposit rates) and will take into account other relevant factors, including management, dealing and transaction costs. Comment on the findings will be made in the TMS.

### **Externally Managed Investments**

Performance reports for any externally managed funds should be received at least annually and considered by the board.

### **External Services**

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

Best value in treasury management services will be ensured by tendering for these services on a periodic basis, in line with WSHA's procurement obligations. In assessing the value added by the providers of external services, account will be taken of all

relevant factors, including the cost, quality, reliability and scope of service to be provided.

### **TMP 3 – Decision Making Processes**

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

These will include:

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

Any key decisions will be informed by an appropriately detailed written report, covering as appropriate, the areas identified above. Such reports will be compiled by the Chief Executive and Director of Finance for consideration and decision by the board.

In compiling such reports, the officers will exercise appropriate levels of care and professional expertise, and where they consider it necessary, may seek advice in specialist areas from suitably qualified external advisers.

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

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

#### **Borrowings**

The Director of Finance will maintain accurate, complete and up to date data on all treasury management instruments in the format set out at Schedule 2. This will be presented to the board annually, with the TMS.

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

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

Any new loan documentation must be approved by the board with the benefit of appropriate advice from officers of WSHA, WSHA's solicitors or other legal advisers, and other such specialist advice as board may require. This power can be delegated, if need be, to an identified sub-group of board members, but only for reasons of efficiency and speed. Any such sub-group must include at least three board members, and their authority must be minuted and limited.

The Director of Finance will prepare a report to the board for approval which will include but not be limited to the following:

- a. The name of the proposed lender or arranger with brief details of their perceived experience and understanding of housing associations, and their credit rating (where applicable)
- b. Interest rate margin, fixed rate or underlying fixed or variable reference rate
- c. Arrangement and other fees
- d. Covenant requirements – including limits set for financial covenants and an analysis of WSHA's ability to meet those limits
- e. Security requirements – basis of valuation and level of cover and assets to be charged
- f. Purpose (with cashflows if applicable)
- g. Comparison with alternatives
- h. Compliance with TMS, Rules and regulatory and statutory requirements
- i. Arrangements for draw downs
- j. Details of independent professional financial and legal advice, including confirmation of powers to enter into transaction
- k. Any other matters which might assist board in considering the proposal, or are required by the lender, any advisor or any regulator to be brought to the board's attention

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

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

### **Treasury Management Investments**

The Director of Finance has delegated authority to invest the surplus cash of WSHA in accordance with the TMS and in accordance with the terms of this policy.

The following are approved investment instruments:

- a. Deposits with UK banks and building societies
- b. Certificates of deposit issued by banks and building societies

- c. Loans to local authorities with credit ratings no lower than the UK government's
- d. UK and devolved government and local authority securities (treasury bills and gilts)
- e. AAA rated Low Volatility Net Asset Value money market funds (board approval needed)

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

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

WSHA will only use money brokers if approved by the board.

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 Director of Finance to ensure compliance with this policy, and made available to auditors on demand.

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

Officers have a responsibility to keep abreast of market movements and developments. They may seek professional advice or subscribe to market information for this purpose.

#### **TMP 4.1: Commercial Investments**

TMP 4.1 only applies to RSLs which hold Commercial Investments, as defined by the CIPFA Code. WSHA do not hold any commercial investments.

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

WSHA has drawn up and approved a scheme of delegation for the operation of the treasury policy, set out below:

<b>Delegated Power</b>	<b>Exercised by</b>
Approval & Amendment of Treasury Policy	Board
Approval of TMS	Board
Application of Approved Strategy	Chief Executive and Director of Finance
Acceptance of loan offers and arrangements for approved schemes, which cannot wait until the next board meeting, and within delegated authority from the board.	Chair or Vice Chair of the board plus the Director of Finance. Any action taken to be reported to the next board meeting.
Drawdown of approved loan facilities in accordance with the TMS	Director of Finance
Investment of surplus funds	Director of Finance



Hedging and other interest rate management	Director of Finance
Approval of bankers	Board
Approval of quarterly treasury management reports	Board
Annual review of Treasury Management Policy	Audit Committee

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

### **TMP 6 – Reporting Requirements**

The Director of Finance reports to the board on treasury activities as shown below:

<b>Item</b>	<b>Frequency</b>
Updated cashflow forecasts for the 24 months from the report date	Quarterly
Covenant calculation report	Quarterly
Management accounts	Quarterly
Cash and Deposit management report including details of deposits placed and interest earned	Quarterly
Loan summary report covering all existing and committed funding and including details of lender, interest basis and financial covenants	Quarterly
TMS incorporating five-to-ten-year cashflow forecasts, with associated borrowing and interest rate strategy; projected liquidity and funding needs; covenant projections; business plan assumptions; and funding market options	Annually, by 31 <sup>st</sup> May
Annual treasury management report, summarising loan and deposit movements in the preceding financial year, and confirming: <ul style="list-style-type: none"> <li>• Covenant compliance</li> <li>• Compliance with the TMP</li> <li>• Submission of all required reports and returns to SHR and lenders</li> <li>• Any relevant internal audit reports</li> </ul>	Board to consider the Statement of Internal Financial Control (forms part of Statutory Annual accounts presented to Audit Committee and then approved at Board) and SHR Assurance Statement.

Separately, the Director of Finance will report to the board on submission of any required reports (including but not limited to management accounts; audited accounts and associated audit reports; business plan and forecasts; covenant compliance certificates; valuation reports) to lenders.

## **TMP 7 – Budgeting, Accounting and Audit Arrangements**

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

## **TMP 8 – Cashflow Management**

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

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

The cashflow projection will be updated quarterly and reported with the management accounts to the Board, 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.

## **TMP 9 – Money Laundering**

WSHA has adopted a policy based on SFHA guidance on money laundering, which will be updated in line with any updated guidance. In addition, the TMP imposes the requirements set out below.

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

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

Where the Director of Finance 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**

WSHA will ensure that its officers are suitably qualified and/or experienced in respect of the treasury-related responsibilities assigned to them. Sufficient training will be obtained as necessary and access to appropriate external advisors will be provided if required.

At a minimum, it is expected that the Director of Finance 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.

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

#### **Bankers**

WSHA's lead banking provider is Barclays Bank plc. Performance and value for money of banking services will be reviewed at least every five years, and, if audit committee considers it appropriate, retendered.

Approval to appoint new bankers is reserved to the board.

#### **Treasury Management Advisers**

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

### **TMP 12 – Corporate Governance**

WSHA 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.1828R(S) under the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord No. HEP201 under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SC018486. It is governed by an independent Board elected by its membership, referred to as the board.

The board of WSHA maintains a committee structure which includes an audit committee. The remit is set out in formal committee remit documentation.

Board provides detailed oversight of financial performance, planning and reporting. It includes board members with appropriate skills, qualifications and experience.

The audit committee provides structured, systematic oversight of WSHA's governance, risk management, and internal control practices. Audit committee reviews these and provides the 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 the board cannot be a member of audit committee, unless there is specific skills and experience which helps minimise risk. The chair of the board may attend meetings of the audit committee if invited by the chair of the audit committee. External and internal audit providers have a right of direct access to the audit committee, without reference to the chair of the board, the Chief Executive or Director of Finance.

## **Schedule 1 – Golden Rules**

### **Interest cover covenant**

Headroom based on the higher of an assessment of financial risk or budgeted at 20% above target. (i.e. target of 110%, budget set at 132%).

### **Gearing covenant**

Minimum headroom of 10% on maximum allowed (i.e. if lender set maximum is 50% then budget to be no more than 45%).

### **Liquidity**

24 months cash flow requirement to be covered by committed loan facilities or cash deposits held to fund projected capital commitments.

### **Minimum Cash Balance – Operational Liquidity**

Cash held at any time should be the higher of the forecast cash outflow for the next calendar month, plus a contingency (or 'buffer') of 25% or £2 million.

### **Deposit Balances**

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. 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. An exception would be made for day to day banking where grant income is received in advance of expenditure, in which case the funds can be held in the day-to-day banking accounts if there is a short term delay in expenditure.

### **Fixed v Variable Interest Rates**

The proportion of loans which are on variable rate terms is no higher than 40% of loans outstanding 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.