OAK TREE HOUSING ASSOCIATION

Treasury Management Policy

We can produce this document on different formats such as in larger print or audio-format; we can also translate the document into various languages, as appropriate.

Adopted: October 2012

Review date: February 2026

Next Review date: February 2027

Contents

Section	Area	Page
1	Treasury Management Policy Statement	3
2	Treasury Risk Management	5
3	Approved methods, instruments and techniques	12
4	Responsibilities & Delegation	16
5	Contract Approval	16
6	Equality	17
7	Decision making and analysis - Reporting Arrangements	17
8	Staff Training & Qualifications	20
9	Use of external providers	20
10	Corporate Governance	21

1. Treasury Management Policy Statement

1.1 For the sake of the policy "Treasury Management activities" are defined as:
"The management of all borrowing, investments and cashflows, including banking, money market and capital market transactions in connection with cash and funding resources of the Association and the effective control of the associated risks with those activities".

1.2 Throughout this policy the term "Association" will relate to Oak Tree Housing Association and the term Governing Body refers to Oak Tree's Management Committee. It is the responsibility of the Director of Finance to ensure that the policies and procedures outlined herein are applied.

1.3 The Association acknowledged the three Key Principles as set out in section 4 of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management (the Code) *(revised January 2026).*

1.4 The code identifies three key principles:

- Key Principle 1
  - Organisations should put in place formal and comprehensive strategies, objectives, policies and practices and reporting arrangements for the effective management and control of its treasury management activities.

- Key Principle 2
  - The Associations policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within the organisation. Their appetite for risk should form part of the annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

- Key Principle 3
  - The Association acknowledges that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management policies and practices should reflect this.

1.5 The Scottish Housing Regulator's regulatory standards, *(February 2024),* which governs Treasury Management activities have also been taken into account within the policy:

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

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

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

1.5 The Association regards the successful identification, monitoring and control of risk to the prime criteria by which the effectiveness of its treasury management activities will measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

1.6 The Association 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.

1.7 The policy sets out the requirements and responsibilities of the Associations treasury management function and will be reviewed annually by the Board.

1.8 Overall control of the Association's treasury management and approval of the Treasury Management Policy rests with the governing body. The Association's staff must not operate outside of the guidelines set out in this policy and are accountable at all times to the governing body for their actions.

1.9 The monitoring of the policy has been delegated to the Finance, Staffing & General Purposes Sub-Committee. These committees will review and monitor the financial requirements of the Association, in compliance with the Scottish Housing Regulator's, (SHR), Regulatory Standards of Governance & Financial Management and the Association's Financial Regulations and procedures.

1.10 All executive decisions on investment, refinancing or financing shall be delegated to the Director of Finance in conjunction with the Association's Chief Executive. Decisions on borrowing will be approved by Oak Tree's Management Committee and delegated to the Finance, Staffing and General Purposes Sub-Committee.

The Director of Finance and finance team staff are required to act in accordance with CIPFA's code of practice. They must also have regard for all matters relating to statutory requirements, the Association's own rules and standing orders and regulatory requirements and/or expectations.

2. Treasury Risk Management

2.1 General Statement

The CIPFA Code of Practice details some of the key treasury management risks faced by registered social landlords and those considered relevant to the Association's operations are set out in this section.

2.2 The Director of Finance is responsible for the design, implementation and monitoring of all arrangements for the identification, management and control of treasury management risk, subject to oversight by the Governing Body, and will report at least quarterly to Governing Body on the adequacy and suitability thereof and will report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Association's objectives in this respect, all in accordance with the procedures set out in section 7 of the policy - "Reporting arrangements".

2.3 The mains areas of treasury risk are:

2.3.1 <u>Interest Rate & Inflation Risk:</u>

- Interest rate risk exposure arises when a change in interest rate has the potential to affect the value of an RSL's assets and liabilities. Too much variable rate debt could mean increasing interest rates resulting in higher interest payments and repayment costs; conversely, too much fixed debt could result in opportunity losses because the Association cannot benefit from improving rates.

- The main danger of interest rate risk is that the Association could face liquidity problems servicing debt as well as breaching lenders' covenants and interest cover percentages.

- Inflation risk can impact on the Association's treasury management activities through the link with interest rate management. If the rate of inflation increases less than forecast, while in contrast fixed rate loan costs remain stable, there can be a real cost to the Association in terms of low inflation impacting rental income streams versus high fixed interest cost.

- An appropriate hedging strategy will assist in minimising any adverse effects caused by increases to interest rates.

- The Director of Finance is responsible for monitoring the Association's interest rate risk exposures and for determining an appropriate strategy for the management thereof within the guidelines and policies established in this Treasury Management Policy and the Annual Treasury Management Strategy.

- In managing the Association's interest rate and inflation risk the Finance Director will pay due regard to:
    - current levels of interest rates and inflation compared with historic trends.
    - anticipated future trend movements.
    - the impact on revenue of estimated movements in interest rate and inflation trends.
    - sensitivity of the covenant and financial performance to movement in interest rates and inflation; and
    - policy and/or budgetary implications.

- The Association will endeavour to ensure that its borrowings contain a mix of hedged and variable interest rates and will seek to spread both debt and fixed rate maturities appropriately over time, whilst retaining flexibility to take advantage of opportunities that may arise. The optimum mix will be determined in the Treasury Management Strategy according to operating circumstances and through sensitivity analysis of anticipated cash flows. No set percentage splits have been agreed, however the Director of Finance will consider this in all treasury decisions and will report the split between Variable and Fixed on each Treasury Management and Budget report to Committee.

- Variable rate debt includes borrowing linked to SONIA, Bank Base Rate, Building Societies' Base Rate, and borrowings linked to any index (e.g. the Retail Price Index). Fixed rate debt includes borrowing in relation to which the interest rate has been fixed in excess of 12 months.

- The Association recognises the risk arising from maturing fixed interest rates for any new debt and the resulting potential exposure to volatility in the interest rate market ("re-set risk"). Accordingly, the Association will seek to manage interest rate re-set risk as part of the Treasury Management Strategy.

2.3.2 <u>Liquidity risk:</u>

- In the Code, CIPFA defines liquidity risk as "the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised".

- The Association will manage its liquidity risk in the following way:

    - The Director of Finance is responsible for ensuring the Association has adequate though not excessive cash resources, borrowing arrangements and overdraft or standby facilities to enable it at all times to have the level of funds available to it that are necessary for the achievement of its business/service objectives. This organisation will not borrow earlier than required to meet cash flow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to fund future debt maturities, or to ensure an adequate level of short-term investments to provide liquidity for the organisation.

The Association will maintain the following minimum levels of liquidity:

- Short term cash requirements – 3 months of revenue or expenditure, or £2.5m (whichever is the higher)

- Medium term – 12 months net cash outflow

- The 12-month rule ensures funding is in place for investments in existing or new assets, prior to entering into the contract.

- Short Term Funds are defined as the aggregate of:
    - Liquid Funds
    - Cash balances with a deposit maturity/notice period of between seven days and one month
    - Undrawn committed borrowing facilities where security has been put in place to the lender's satisfaction and which are available to be drawn within a maximum of seven days, which would include secured revolving credit.
- Medium Term Funds are defined as the aggregate of:
    - Short Term funds
    - Cash balances with a deposit maturity/notice period of one to three months.
    - Undrawn borrowing facilities where security is available and can be charged to the lender's satisfaction so that the facility may be drawn within a maximum of three months.

2.3.3 <u>Funding and refinancing risk:</u>

- This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to

obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time. It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

- The Association will maintain the following refinancing threshold:
    - Refinancing must be agreed 12 months in advance of maturity

- This will reduce funding and refinancing risk and maintain a smooth debt maturity profile.

2.3.4 Failure of internal control systems & anti-money laundering

- The risk of inadequate systems of internal control, reporting and performance measurement is not specific to treasury management. The Association is required to ensure that measures are in place to manage its overall exposure to risk in this area. This includes the risk of exposure to fraud, error and corruption. Regular reviews of financial procedures and internal audits will contribute towards reducing the potential risks in this area.

- The Association is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain appropriate procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this, are properly trained.

- The Director of Finance is the appointed Money Laundering Reporting Officer and is responsible for managing records, reports and risks in regards to money laundering.

2.3.5 Lender covenants:

- In order to protect against a covenant breach, the Association has agreed the Director of Finance will monitor and report financial covenants to the Governing Body against the covenant threshold and the recommended level of headroom. This is reported in each budget review report and the quarterly management accounts. The recommended level of headroom is assessed and updated at each budget review to ensure a level of flexibility, to allow the Association to react to any unforeseen issues or any potential opportunities.

- Loan agreements can be broken not just by a breach in covenant but also by failing to meet deadlines, clauses or by failing to provide documentary evidence as required. The Association holds a covenant register with all loan

requirements and trigger dates for compliance such as insurance schedules, business plans, quarterly returns, etc.

2.3.6 Concentration risk:

- This is the level of risk in an investment portfolio arising from concentration to a single borrower. The risk arises from the observation that more concentrated portfolios are less diverse and therefore the returns on the underlying assets are more correlated. The Association regularly reviews bank rating information to assist with negating such risks. No more than 75% of all Association funds should be held in a single financial institution

2.3.7 Counterparty Risk - risk of default by an institute:

- This can occur where funds are deposited in a financial institution who subsequently defaults. This risk would previously have been regarded as low given regulation by the Prudential Regulation Authority (PRA) and Bank of England, but an increased awareness is required given all issues attached to the current economic climate. The Association regularly reviews market data/commentaries and credit rating information to assist with negating such risks.

- The Association shall generally confine investments to national high street banks, building societies, national savings accounts and government securities. Where non-national institutions are used, a maximum of £120k in line with the Financial Services Compensation Scheme (FSCS) limit may be invested after a report has been submitted to the governing body for approval

- The Association will use Short-Term credit ratings issued by Fitch Ratings Ltd ("FRL"), Moody's Investor's Service ("Moody's") and Standard & Poor's ("S&P") to monitor the creditworthiness of the Banks and Building Societies with which it invests or with which it proposes to invest. For the purposes of this policy, the Association may invest with Banks and Building Societies that have an average Short-Term credit rating across the three rating agencies of at least "F1" as issued by FRL. The equivalent Short-Term credit ratings issued by Moody's and S&P are "P-1" and "A-1" respectively.

- Short-Term ratings have a time horizon of less than 13 months for most obligations and thus place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner. The following provides an example of the short-term credit ratings used by Fitch Ratings:

F1 Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.	F2 Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3 Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non- investment grade.	B Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favourable business and economic environment.	D Indicates an entity or sovereign that has defaulted on all of its financial obligations.

- The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

- The Association will consider the Environmental, Social and Governance (ESG) characteristics of any money market funds it invests with, with a preference for those that adhere to specific, measurable ESG target, or which apply exclusions to investments, for example, to carbon industries such as coal.

- As a general rule, the Association will only invest surplus funds with UK domiciled institutions who are regulated by the PRA and covered by the FSCS with no more than 75% of funds placed with a single counterparty.

- The Director of Finance is responsible for monitoring the credit standing of all approved investment institutions and for identifying and using appropriate external information services. In the event of an approved investment institution being downgraded below the Associations minimum credit criteria, invested funds will be removed upon maturity.

2.3.8 Funds are invested for too long a term and liabilities fall due:

- This is where funds are invested in, for example, a one year, no access account and liabilities fall due by the Association which requires these funds to settle. To reduce this risk the funds should be spread / invested according to the financial business plan needs. The Association manages this risk via accurate and detailed cashflow projections within the annual budget process and quarterly cashflow updates within the treasury management reports.

2.3.9 Non-treasury investment risk

- The Association recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

- The Association will ensure that all the organisation's investments are covered in the treasury management strategy, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that of treasury management purposes.

- The Association cannot invest in shares or other equity investments. Other than in connection with the shares we hold in any Oak Tree subsidiary companies. Such investments, however, can be made by subsidiary companies.

- Oak Tree will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including any financial guarantees and the risk exposure, as required.

2.3.10 Legal and regulatory risk:

- The risk that the Association itself, or an organisation with which assists with treasury management activities, fails to act in accordance with the law or regulatory requirements and as a consequence the Association suffers losses. Legal advice, where appropriate, and regular monitoring of regulatory advice and guidance will help assist with reducing this risk.

- In considering risk management the Association will design, implement and monitor all arrangements and will report at least annually on the adequacy and suitability of this policy.

- In order to minimise risk, the Association will ensure the treasury management policy is reviewed regularly to take into consideration regulatory or operational changes and compliance with regulators. The Association will ensure that all staff are aware of their contribution to compliance and to the efficient and

effective delivery of the policy. In addition, methods of validation of compliance will be undertaken using a variety of sources, e.g. the external annual audit and planned internal audits.

3. Approved methods, instruments and techniques

3.1 The Association will undertake its treasury management activities by employing only those instruments, methods and techniques detailed within section 3 of this Policy and within the limits and parameters outlined in section 2.

3.2 The Association has reviewed its classification with financial institutions under MiFID II (Markets in Financial Instruments Directive – an EU legislative framework) and has set out in section 7.4.1 those banks with which it holds a relationship and is registered as a professional client.

3.3 Approved Methods of Raising Capital Finance

- In the main, borrowing for day-to-day expenditure needs will be by way of bank overdraft or revolving credit facility (RCF) at an agreed rate of interest. The Director of Finance should closely monitor the cashflow position of the Association to identify in advance when such borrowing will be necessary.

- Borrowing for office equipment/office vehicles, in the main, may be raised via lease arrangements or short-term lending/credit facilities.

- Borrowing for housing capital projects will be by way of "Development Period" overdraft and term loan facilities at market rates of interest.

- For each new housing project, the maximum amount to be borrowed will be the shortfall (after HAG) on the funding required to provide houses to the Association's standard specification. It will not be the policy to borrow further sums to increase the standard of accommodation as this would result in rent levels beyond those considered affordable to the Association's potential tenants, unless directly linked to cost effective energy efficiency standards.

- Where it is found to be economically and financially favourable a facility may be arranged to fund a number of schemes where draw down can take place at intervals agreed by the Association and the lender.

- In return for these facilities the Association will provide security over property to the value agreed with the lender. For all future borrowing arrangements, the Association will endeavour to avoid offering an "excessive" amount of property equity as security as this will restrict future borrowing ability.

- Borrowing for any other one-off purposes will be the subject of a specific report to the governing body.

3.4 Non-Treasury Investments - Inter-Group Lending

- Where possible, and to reduce transaction costs, inter-group borrowing/lending should be considered by the Association before an approach is made to external lenders.

- In considering inter-group borrowing, the Director of Finance must provide a report to the governing body detailing;
    - Borrowing project details
    - Borrowing requirements
    - Project timetable
    - Sources of finance
    - Basis of interest rates
    - Loan margins (this to be at an arm's length market rate comparable to the type and credit standing of the business)
    - Loan period
    - Repayment options and costs
    - Assessment of documentation (including margin review and early repayment clauses)
    - Security (including release of security provision and basis of valuation)
    - Changes in existing loan terms
    - Loan covenants
    - Compliance with policy

- All existing loan covenants must be reviewed before any borrowing/lending is agreed.

- The Association cannot invest in shares or other equity investments', however, can be made by subsidiary companies.

3.5 Approved Sources of Financing

- Where inter-group lending is not appropriate, the Association's borrowings will be restricted to the approved providers of funding, (see section 7.4.1). Funding from other sources will be considered, e.g. European funding, bond funding, however this should be subject to a specific report to the governing body. Members must be satisfied that such funders would bring no more risk than usual funding sources. All lenders must hold at least an 'A' credit rating, or where a rating is not held, have been assessed using Basel 3, shortly be to be Basel 3.1, metrics or another form.

- The negotiation of borrowing should take the form of a formal interview and must include three institutions, where feasible, but no less than two.

- In considering the most suitable lender, the Executive Team should consider the following:
    - Borrowing project details
    - Borrowing requirements
    - Project timetable
    - Sources of finance
    - Basis of interest rates
    - Loan margins
    - Loan period
    - Repayment options and costs
    - Assessment of documentation (including margin review and early repayment clauses)
    - Security (including release of security provision and basis of valuation)
    - Arrangement fees
    - Non utilisation fees
    - Draw down arrangements
    - Fixed/capped rates
    - Review clauses
    - Changes in existing loan terms
    - Loan covenants
    - Compliance with policy

- The maximum borrowing period will take account of the life of the Asset, as illustrated below:

Housing capital projects	30 years
Purchase of office equipment/office vehicles	3-6 years
Bank overdraft	1 year
Borrowing for any other one-off purpose	30 years - subject to report to the governing body

3.6 Approved Organisations for Investment & Cash Held

- The Association shall generally confine investments to national high street banks, building societies, national savings accounts and government securities. Where non-national institutions are used, a maximum of £120k in

line with the Financial Services Compensation Scheme limit may be invested after a report has been submitted to the governing body for approval.

- If required, inter-group investments can be made.

- Credit checks and bank ratings will be carried out on institutions prior to investing or borrowing and monitored thereafter.

- Temporary cash balances resulting from development schemes will be aggregated with other cash funds. The finance development scheme records should clearly identify "funds received not utilised" and the Director of Finance should use detailed cash flow forecasts to plan for any necessary overdraft/loan facilities required.

- There will be no limit on investment term where there is instant access without penalty. Where there is no instant access or a penalty for access the term of investment should be restricted to a maximum of 12 months.

- In an effort to reduce risk the funds should be spread / invested according to the financial business plan needs, in terms of the requirement to have access to funds for annual operating activities versus funds required for future years' investments. This will be determined annually as part of the budget and financial business plan process and monitored on a quarterly basis via cashflow projections.

- No more than 75% of all Association funds should be held in a single financial institution.

- At no time should the Association's liquid funds be less than £2.5M unless short-term finance has been arranged. This value is subject to the short-term liquidity position and will be adjusted accordingly. As a financial plan target, the cash held at the year-end will also be measured against the target of holding the equivalent of 3 months net rental income in cash terms, the average value of this over 3 years is circa £2.5M, therefore providing a further buffer as part of the financial assessment process.

3.7 <u>External Cash Managers</u>

- Due to the anticipated level of cash reserves, the Association would not normally consider the use of an external broker.

- Should the level of reserves increase to the extent that such an approach may be worth investigating, approval must be sought from the governing body prior to the appointment.

4. Responsibilities & Delegation

4.1 Approval of this Treasury Management Policy lies with the Finance, Staffing and General Purposes Sub-Committee (FSGPSC).

4.2 Responsibility for implementing the policy on a day-to-day basis rests with the Director of Finance and staff team and the FSGPSC will monitor compliance via reports and other documents presented to them.

4.3 Overdraft facilities for working capital purposes will be arranged by the Director of Finance who should report to the governing body at the first available opportunity on the reasons why this borrowing was necessary.

4.4 Negotiations on the terms and conditions to be applied to loans for housing projects should be carried out by the Chief Executive Officer, Development Services Provider (or in house staff if applicable) and the Association's Director of Finance. Only the Association's governing body has authority to enter into loan agreements. The Finance, Staffing & General Purposes Sub Committee should be advised by the Director of Finance of the details of each agreement prior to these being entered into.

4.5 Borrowing for any other purpose will be the subject of a specific report to the Finance, Staffing & General Purposes Sub Committee by the Director of Finance. This will include any lease or credit arrangement entered into and these should be procured in line with the scheme of delegated authority and financial regulations.

4.6 Day to day decisions on the amount and timing of investments are the responsibility of the Director of Finance.

5. Contract Approval

5.1 Where it is determined that a project should be funded using internal resources, the Director of Finance must produce a detailed cashflow confirming the availability of funds, alongside the meeting of short term and medium term liquidity thresholds throughout the period of the contract, prior to the member of staff entering into any formal agreement or contract in excess of £50,000.

5.2 Where it is determined that external borrowing is required to fund a project, the Development Agent or any other member of staff may not enter into a contract without the Association receiving written confirmation from the external funder that the Association has access to the required funds.

6. Equality

6.1 This policy has been assessed with law, regulatory standards and good practice. This covers all relevant protected characteristics. The policy is therefore likely to have a positive effect in respect of equality issues.

7. Decision making and analysis - Reporting Arrangements

7.1 The Association will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past and for accountability, e.g. demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

This policy document statement is subject to an annual assessment to ensure the document remains fit for purpose.

7.2 Any departure from the agreed policy during the year will constitute a breach of the Associations' Financial Regulations and as such should be the subject of a report to the governing body by the Director of Finance.

7.3 The Director of Finance will report to the Finance, Staffing and General Purposes Sub-Committee as follows:

Report	**Details**
Quarterly Treasury Management Report / or in the Management Accounts	Details of Lenders Loan Terms Loan Balances Outstanding Loan Period Outstanding Compliance Covenants Mix of Fixed & Variable Debt Finance Confirmation of submission of reports to Lenders
6 Monthly Treasury Management Report: Lending	At least every 6 months a report giving details on a loan-by-loan basis, covering the first 6 months of the financial year and covering the whole financial year. The report should cover: • Details of current lenders • Loan terms • Loan balances outstanding

	• Loan period outstanding • Undrawn facilities and purpose of loan • Any changes in the intended use of loan funds • Security cover provided and basis of valuation • Covenant compliance • Mix of fixed and variable debt finance • Business case for mix of fixed/variable rate finance • Future proposed borrowing for the financial year ahead • Interest earnings from investment of surplus funds • Current market view on interest rates over short, medium and long term
6 Monthly Treasury Management Report: Investment	As a minimum, a 6-monthly report giving details of current bank balances, interest rate earned, name of financial institution and credit rating.

7.4 Treasury Management Strategy

- In addition to the above, an annual Treasury Management Strategy will be prepared by the Director of Finance for approval of the Governing Body. This will include the following areas:

7.4.1 Borrowing Strategy

- In balancing longer-term financial stability against costs, the Associations strategy is to avoid risk over minimising costs.
- In seeking new finance the Association should compare market rates, other loan fees, e.g. non-utilisation fees, loan set up fees and covenant requirements, to ascertain the most competitive and suitable offer. Tenders should be sought from at least three financial institutions (where feasible, but no less than two). Consideration should also be given to fixed and variable rates or a combination of the two.

- In order to minimise risk the Association should hedge against interest rate exposure, ensure that the minimum amount of security is given to the lender, only borrow from specified financial institutions and ensure that any financial covenants are not overly restrictive.
- It is good practice to ensure an appropriate mix of fixed and variable rate finance is in place across the loan portfolio, (referred to as hedging). This will be considered against this Policy and market conditions. Any changes to the loan funding structure will be subject to a paper with recommendations to help the governing body identify the right options for the Association at the time.
- As at February 2026, the following organisations are currently approved as sources of funding:
    - RBS Group
    - Bank of Scotland (Lloyds Bank Group)
    - Nationwide Building Society
    - Clydesdale Bank

- The above list may be amended, with approval from the governing body, if other lenders enter the market, offering loan finance to RSLs on attractive terms. Following the Fitch credit rating system for banks, short term finance banks must have a rating of F1 or F2, and for long term finance ratings of at least A. Before a new lender is added to the approved sources of funding, the Association must satisfy itself that the organisation is financially stable. This will be the responsibility of the Chief Executive in conjunction with the Director of Finance.

- Any amount borrowed must be within the Association's borrowing limit as authorised by the Governing Body and Association rules, stated as £50,000,000.

- An assessment of the most suitable period of the loan should be made whilst ensuring that properties held as security are for no longer than is necessary.

- Borrowing for term loans will normally be on a standard capital and interest basis, however appropriate use may be made of capital repayment holidays.

- The Association will not enter any loan transactions which are index linked or complex in nature, e.g. foreign currency lending. In addition, hedging arrangements should not be regarded as sophisticated or complex in nature.

7.4.2 Investment Strategy

- In balancing risk against return, the Association is more concerned with avoiding risk rather than maximising return.

- Association funds will be invested in property, with adequate security, or alternatively, in deposits at variable and fixed rates of interest held in banks, buildings societies, national savings accounts and government securities. This subject to the limits and credit ratings noted within this Policy.

- Investment in property will include providing finance for development programmes equivalent to the amount of private finance on a scheme, thus removing the need to borrow more money. This will reduce interest and set-up costs of a new loan and ensure the Association has un-encumbered stock should it be required at a later date, however, this should only be done in line with cashflow analysis.

8. Staff training & qualifications

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

8.2 Officers involved in treasury operations will receive adequate training to provide them with the necessary skills and knowledge to keep them up to date with treasury management best practice. Training may include studying for recognised qualifications, external courses and conferences and internal courses and seminars. Each year the Director of Finance, will assess training needs and make appropriate provision for costs.

8.3 The Governing Body will also receive regular training and development sessions to ensure that they have the necessary skills to understand and approve treasury reports. This will be by means of in-house training sessions undertaken by both employees and external specialists. Where considered appropriate members of the Governing Body may also attend external training courses.

9. Use of external service providers

9.1 The Association recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and

benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

9.2 The use of external advisers will be considered in the following circumstances:

- Ongoing treasury support with strategy and policy;
- Provision of regular market information;
- The raising of additional finance;
- Negotiation and re-negotiation of loan covenants and margins; and
- Recruitment of new team members.

9.3 Once the use of external advisers has been agreed all Governing Body reports submitted where the external advisers have had an involvement will need to be reviewed by the Director of Finance and where deemed appropriate, presented by the external adviser.

10. Corporate governance

10.1 The Association is committed to the pursuit of proper corporate governance throughout its business and services and to the principles and procedures by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

10.2 The Association has adopted and implemented the key recommendations of the Scottish Housing Regulator. This, together with other arrangements detailed in the Treasury Management Policy, procedures, standing orders and financial regulations are considered vital to the achievement of proper corporate governance in treasury management. The Director of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.