Title	**Treasury Management Policy**
Purpose	The purpose of this policy is to clearly set out the ways Maryhill Housing Association (MHA) approaches the risk management of its treasury management activities including but not limited to the borrowing and investment money in line with best practice and guidance, and in accordance with the Scottish Housing Regulator's regulatory standards.
Scope	This policy statement applies to all Staff, Board and Committee members of MHA. This is an organisation wide policy covering all of MHA's 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.
Definitions	**Treasury Management** – The management of the organisation's borrowing, 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. **Price Risk** – The risk that through adverse market fluctuations in the value of the principal sums MHA borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. **Interest Rate Risk / Exchange Rate Risk** – The risk that fluctuations in the levels of interest rates or exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which MHA has failed to protect itself adequately. **Inflation Risk** Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation. **Refinancing Risk** – The risk that maturing borrowings, capital or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time. **Liquidity Risk** – The risk that cash will not be available when needed, that ineffective management of liquidity creates additional unbudgeted cost, and that MHA's business / service objectives will thereby be compromised. **Credit and Counterparty Risk** – The risk of failure by a counterparty to meet its contractual obligations to MHA under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparties diminished creditworthiness, and the resulting detrimental effect on MHA's capital or current (revenue) resources.

	Legal and Regulatory Risk – The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and the organisation suffers losses accordingly. **Fraud, Error and Corruption, and Contingency Management** – The risk that MHA fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.
Policy Statement	**1. Introduction** **1.1** This document sets out MHA's Treasury Management Policy (the 'Policy'). MHA has adopted the key principles of The Chartered Institute of Public Finance & Accounting's ('CIPFA') *Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes 2017 edition* (the 'Code'), as recognised best practice. **1.2** CIPFA recommends that all public (and quasi-public) service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following clauses: *A. This organisation will create and maintain as the cornerstones for effective treasury management:* • *a treasury management policy (the 'Policy'), stating the policies, objectives and approach to risk management of its treasury management activities;* • *suitable treasury management procedures (the 'Procedures'), 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.* *B. The Board will receive regular reports on its treasury management policies, procedures and activities including, as a minimum, an annual treasury strategy (the 'Strategy'), and a mid-year review, in the form prescribed in the Procedures.* *C. The Board delegates responsibility for the implementation and regular monitoring of the Procedures, including execution and administration of treasury management decisions, to the Director of Resources (the "Responsible Officer"), who will act in accordance with the organisation's Policy, Strategy and Procedures.* **1.3** The content of the Policy and Procedures will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles. **1.4** MHA defines treasury management activities as: The management of MHA's borrowing, investments and cash flows, its banking, money market and capital

market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance, consistent with those risks.

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

1.6 MHA 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.

2. POLICIES / OBJECTIVES / APPROACH TO RISK

2.1 General Statement

2.1.1 All treasury management activities involve risk and potential reward. MHA's policy in approaching treasury management risk is:

- when investing cash, the achievement of a satisfactory return while minimising risk. The overriding principle is to avoid risk rather than to maximise return
- when borrowing funds, ensuring the stability of the Association's long-term financial position by borrowing on the most economically advantageous terms.

2.1.2 The Responsible Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving MHA's objectives in this respect.

2.1.3 To assist in measuring treasury risks and covenant compliance, MHA has chosen to adopt the following 'Golden Rules':

- The cashflow period or cash amount to be maintained as a minimum liquidity buffer is defined as 24 months; this means that the Association's Business Plan can be funded from drawn or arranged and secured funds for 24 months from the reporting date
- Gearing – the ratio of historic cost to debt is set at a maximum of 50% in the RBS loan agreement; the Golden Rule is 40%
- Adjusted Operating Surplus or Earnings before Interest, Tax, Depreciation and Amortisation – Major Repairs Included ('EBITDA-MRI') is another key covenant in the RBS loan agreement, set at a minimum of 110%; the Golden Rule is to maintain a ratio above 140%
- Development Commitment – the minimum requirement would be not to accept tenders for development work without confirmation that public grant and private finance have both been secured; in practice, Maryhill operates beyond this, with the Golden Rule being that in principle funding discussions will be undertaken as part of Development Gateway 3 (site acquisition) and confirmation to be finalised during Development Gateway 4 (planning)

2.1.4 In respect of each of the following risks (as defined at the head of this document), the arrangements which seek to ensure compliance with these objectives are set out in the Procedures.

2.2 Price Risk

2.2.1 MHA will seek to ensure that its stated treasury management objectives will not be compromised by adverse changes and will accordingly monitor and seek to protect itself from the effects of such changes.

2.3 Interest Rate Risk / Inflation Risk / Exchange Rate Risk

2.3.1 MHA will manage its exposure to fluctuations in interest rates and inflation with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budget.

2.3.2 It will achieve this by the prudent use of its approved 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 rates or inflation. The above are subject, at all times, to the consideration of Policy or budgetary implications, and if required, formal Board approval of any changes thereto.

2.3.3 It will ensure that any hedging tools, such as embedded or stand-alone derivatives are only used for the management of risk and the prudent management of financial affairs and that the permitted (non-speculative) use of derivatives is clearly detailed in the Strategy and Procedures.

2.3.4 MHA will not enter into transactions that involve any exchange rate risk.

2.4 Refinancing Risk

2.4.1 MHA will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to MHA as can reasonably be achieved in the light of market conditions prevailing at the time.

2.4.2 MHA will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any source of funding if this might jeopardise achievement of the above.

2.5 Liquidity Risk

2.5.1 MHA will ensure it has adequate (though not excessive) cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business objectives.

2.6 Credit and Counterparty Risk

2.6.1 MHA regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited. MHA will maintain a formal counterparty register in respect of those organisations from which it may invest, borrow, or with whom it may enter into other financing or derivative arrangements.

2.7 Legal and Regulatory Risk

2.7.1 MHA will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements and it will demonstrate such compliance.

2.7.2 MHA recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on MHA.

2.8 Fraud, Error and Corruption, and Contingency Management

2.8.1 MHA will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other such eventualities in its treasury management dealings. Accordingly, it will implement suitable systems and procedures, and will maintain effective contingency management arrangements.

2.9 Adequacy of Security

2.9.1 MHA will ensure that procedures are in place to ensure adequate security is available to facilitate drawdown when required.

2.10 Covenant Compliance

2.10.1 MHA will ensure that financial covenant set by its lenders are met at all time. Any risk to compliance with any covenant will be highlighted to the Board and funders at the earliest opportunity.

3. Authority Retained by the Board

3.1 The Board holds ultimate responsibility for all treasury activities.

- Approval of the Business Plan
- Approval of the Policy and Strategy.
- Approval of any in year changes to the Strategy that might be required to enable Procedure amendments
- Approval of all issues (including new funding) not otherwise covered by the Board approved Business Plan, Policy or Strategy
- Approval to open new bank accounts
- Granting of security over Association land and property (as set out in the Scheme of Delegation)

3.2 The Board nominates the Audit & Risk Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. Authority Delegated to the Responsible Officer

4.1 The Responsible Officer and his/her staff are required to act at all times in accordance with the Policy and prevailing Strategy.

4.2 Approval of Procedures (insofar as these remain within any parameters set by Strategy) – the current suite of Procedures consists of:

- Risk Management
- Performance Measurement
- Decision-making & Analysis
- Approved Instruments, Methods & Techniques
- Organisation, Clarity & Segregation of Responsibilities, Dealing Arrangements
- Reporting Requirements, Management Information Arrangements

	➢ Budgeting, Accounting & Audit Arrangements ➢ Cash & Cashflow Management ➢ Money Laundering ➢ Training & Qualifications ➢ Use of External Service Providers ➢ Corporate Governance **4.3** Approval and acceptance of interest rate contracts that are consistent with the Strategy, including derivatives. **4.4** Approval of the accounting treatment of treasury management contracts. **4.5** The raising of finance, approval and acceptance of loan terms, only in so far as these are consistent with parameters set by approval of the Strategy and Business Plan, and subject to prior Board approval of such loan terms (as set out in the Scheme of Delegation). **4.6** Negotiation and agreement of detailed loan terms, following 'in principle' approval of loan Heads of Terms by the Board. **4.7** The opening of new bank accounts (following approval by the Board) as required to manage the liquidity requirements of MHA. **4.8** Negotiation and use of overdraft facilities as required to manage the liquidity requirements of MHA, only in so far as these accord with the parameters approved by the Board in the Treasury Management Procedures and are consistent with the recommendation made in the approved Annual Treasury Strategy. **4.9** Placing, renewing and recalling investment of surplus funds, only in so far as these accord with the parameters set in the approved by the Board in the Treasury Management Procedures and are consistent with the recommendation made in the approved Annual Treasury Strategy. **5. Escalation Procedures** **5.1** A reportable breach of treasury policy occurs where there is a failure, for whatever reason, to operate within the controls set out in the Policy. **5.2** If such breach is a non-material matter that can be completely remedied within 5 working days of it being brought to the attention of the Chief Executive (and is remedied) then the breach will be reported as an exception to Policy as part of the next successive Treasury Report; or **5.3** If such breach falls outside of the scope of the previous paragraph, then the breach will be immediately brought to the attention of both MHA Chair and the Chair of the Audit & Risk Committee who can agree an appropriate course of action, which could for example range from (a) calling for a report at the next Board, and (b) calling a Board meeting if the matter is serious. **5.4** A serious breach would include the possibility of a substantial loss, for example the failure to meet the minimum liquidity requirements or failure to undertake interest rate management in accordance with the annual treasury Strategy approved by the Board, or a projected breach of documented loan terms and conditions, whereby failure to remedy could lead to (cross-) default.
Approval	Board – June 2021

Policy Owner	Director of Resources
Review	Director of Resources June 2024