



<p>Treasury Management Policy V.8 – 10.19</p>

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Related Documents

- **SFHA Treasury Management Guidance (Feb 2022)**
- **SFHA Money Laundering Guidance**

Translation Statement

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Compliance

This policy has been drafted to ensure that it complies with current legislation and industry good practice.

Equality & Diversity

Fyne Homes is committed to providing services which embrace diversity, and which promote equality of opportunity. As an employer we are also committed to equality and diversity within our workforce. Our goal is to ensure that these commitments, reinforced by our Values, are embedded in our day-to-day working practices.

Openness & Confidentiality

Fyne Homes believes that its members, tenants and other interested parties should have access to information on how it conducts itself. This means that unless information requested is considered commercially sensitive or personally confidential it will be made available on request.

Data Protection

Fyne Homes recognises the importance of data protection legislation, including the General Data Protection Regulation, in protecting the rights of individuals in relation to personal information that we may handle and use about them, whether on computer or in paper format. We will ensure that our practices in the handling and use of personal information during the processes and procedures outlined in this policy comply fully with data protection legislation. More information is available from our Data Protection Officer.

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Treasury Management Policy

1. Aims and Objectives

The policy aims to ensure the Association has in place sound management systems for its finances which ensure that the Association maximises returns whilst minimising risk.

The Treasury Management operations of Fyne Homes Ltd will be in accordance with the best practice as recommended by The Scottish Regulator and the Chartered Institute of Public Finance and Accountancy. (CIPFA), Treasury Management in the public services: Code of Practice and cross sectorial guidance notes (2021)

Investment strategy will be determined in conjunction and in parallel with borrowing strategy.

The Committee of Management delegates the Treasury Management operations of the Association to the Chief Executive and the Business Services Director

The Management Committee will monitor and review Treasury Management strategy and operations.

The Business Services Director will manage the Treasury Management operation in accordance with the agreed strategy and will report to the Management Committee Meetings with quarterly reports.

2. Links to Vision and Strategic Priorities

This policy aims to fulfil the needs of the Association's Strategic Priorities, in particular maximise efficiency to provide value for money for our tenants and stakeholders.

3. Legal Framework

Scottish Housing Regulator Regulatory Framework

4. Cashflow

The Business Services Director is delegated the responsibility of ensuring the Association at all times has sufficient liquid funds to meet current liabilities.

Fyne Homes annually prepares a 30-year financial projection plan. This includes a 30-year cashflow forecast, incorporating current borrowing arrangements, and identifying projected borrowing needs and investment opportunities. Based on this the Business Services Director will prepare a detailed forecast for a period of at least 24 months and preferably of 60 months, projecting income and expenditure. This will form the Treasury Management Strategy and form the basis for planning and arranging any new borrowing required. The cashflow projection will be updated annually and report to the Management Committee, highlighting changes and

explaining how they affect future borrowing requirements and highlighting any increased treasury risks, such as liquidity or covenant compliance.

5. Inflation

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

6. Investment Strategy

Surplus cash balances will be invested where they achieve the best return commensurate with security and liquidity.

Investments will only be made with registered United Kingdom Banks and Building Societies or within Treasury Bonds.

Surplus cash balances will be used to fund cash flow in place of short-term borrowing where the opportunity cost is less than the cost of borrowing.

Investment may also be made in property other than housing, provided that these investments show a real return using cost benefit analysis over the opportunity costs of lost investment in any of the other sources available to the Association.

7. Borrowing

When raising Capital Finance, the Association aims to seek value for money at minimum risk.

The Association will only raise Capital Finance from registered United Kingdom Banks, Building Societies and Credit Unions.

In raising Capital Finance the Association will seek the best value for money by taking into account all economic factors, including interest rates, charges, amount of security required, penalties for early repayment and other conditions attached to the loans.

A Loan Portfolio of fixed and variable rate finance will be sought, the ratio of fixed to variable interest rates being decided by the Management Committee who will take into account prevailing forecast trends being maximum 75% and minimum 25%

The Management Committee will determine limits to borrowing from any one source.

The Association recognises that the proper use of derivatives can be a useful tool in addressing interest rate risks on existing variable rate borrowing particularly where an Association seeks to achieve a greater balance

between its fixed and variable rate debt. In addition, derivatives offer a further option in interest risk management on new loan facilities being agreed.

The range of derivative transactions which can be entered into is limited to caps, collars and interest swaps. With regards to swaps the Association may only enter into a swap transaction where the interest profile is being switched from variable to fixed.

Speculative trading in derivative contracts is not permissible.

There must be an underlying debt for every derivative contract being entered into. The Association may only enter into derivative contract with a British Clearing Bank.

8. Risk Management

Liquidity Risk

Fyne Homes will ensure that it is able to meet its liabilities at all times. The Business Services Director will ensure that sufficient cash balances and available facilities exist for this purpose.

Fyne Homes will consider and manage liquidity in 2 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 Fyne Home's liquidity forecast. Where surplus funds are required to meet possible cash outflows in the near future, they will necessarily be deposited for short periods which will ensure that funds are available when required.

Exposure to Refinancing Risk

Fyne Homes 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, Fyne Homes complies with loan covenants and is not exposed to significant refinancing risk, which is defined as no more than 25% of debt falling due for refinancing (including fixed rate arrangements maturing) in any 12 month period. The Business Services Director will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before Management Committee in sufficient time to enable due consideration to be given to them, and to ensure that loan facilities are put into place before additional funds need to be drawn. In doing so, at least 18 months should be allowed for completion of a new loan agreement and security with a new lender. Fyne Homes will not enter into development or other commitments without having sufficient committed loan facilities in place to cover the resulting borrowing requirements.

9. Management

The management of investment borrowing strategy will be delegated to the Business Services Director. Investments with Banks, Building Societies and Treasury Bonds will be made by the Business Services Director in accordance with this policy and all investments will be reported to each Management Committee meeting.

8.2 Investment in property will require the authorisation of the Management Committee.

The raising of Capital Finance will be negotiated by the Business Services Director who must then report to the Management Committee to obtain their authorisation to enter into the borrowing.

A fully detailed Loan Portfolio will be reported quarterly to the Management Committee Meeting.

The Treasury Management operation will be reviewed by the Management Committee at least every 3 years.

10. Money Laundering

Fyne Homes has adopted a policy based on SFHA (as part of UK Housing Federations) guidance on money laundering, and which will be updated in line with any updated guidance. In addition, the Treasury Management Policy imposes the requirements set out below. No loan shall be taken from, nor any deposit made with, any organisation or individual without the prior written approval of the Business Services Director, or which does not comply with Fyne Homes lending or investment criteria. In granting consent to a loan to, or deposit from a new organisation or individual, the Business Services Director will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The Business Services Director 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 Fyne Homes business will be reported as soon as possible to The Business Services Director. The Business Services Director is responsible for taking reasonable steps to ensure that all staff dealing with any element of Fyne Homes cashflow are appropriately alert to the possibility of attempts being made to use Fyne Homes for money laundering purposes. Such staff will also be made aware of the requirement to report suspicions of money laundering to the Business Services Director. Where the Business Services Director is satisfied that a suspicion of money laundering does exist, these will be reported to the appropriate authorities in the form they require.

11. Staff Training

Fyne Homes will ensure that its Finance staff 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 financial advisors will be provided.

12. Reviewing Process

This policy will be reviewed in line with the respective current Fyne Homes' policies, and/or where a change in legislation arises.

If there is a procedural delay in the policy revision, then the relative legislation in force at the time will prevail.

Version number	Revision Date	Part of doc revised	Reason for revision	Approved by
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