

TREASURY MANAGEMENT POLICY

Classification: Strategic

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Policy Lead:	Director of Business Support
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REFERENCE PAGE

Document Title:	Treasury Management Policy
Aim:	To set the boundaries around the annual treasury strategy and outline its reporting requirements
Objective:	2 The Eildon Group will ensure it operates within a sound financial framework, protecting our long-term viability while prudently utilising the inherent financial strength of the organisation to meet existing commitments & potential opportunities
Scope of Policy:	Board & Staff
Nominated Officer:	Director of Business Support
Approval Source:	Board
Legal and Regulatory References:	CIPFA Code of Practice for Treasury Management in the Public Services SHR - Standards of Governance and Financial Management SFHA Treasury Management Guidance
Procedural References:	Association's Rules 5 Year Viability Plan
Consultation Completed:	N/A
Risk Implications:	1- Existing policy, minimal change
Equalities Assessment:	All Eildon policies and key documents are developed with the clear objective of ensuring that they do not discriminate against any person and have negative impacts for equality groups. We will always welcome comments on the impact of a policy on particular groups of people in respect of, but not limited to, age, disability, gender reassignment, race, religion, sex or sexual orientation, being pregnant or on maternity leave and children's rights and wellbeing.
Accessibility:	Accessible electronically/online and in print. All documents can be translated and made available in audio, braille and large print versions upon request.

Publish on Website:	Yes
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CONTENTS

Treasury Management Policy Statement	4
Introduction	5
Policy Definition and Objectives	6
TMP 1 – Risk Management.....	7
General Statement of Risk Management.....	7
TMP 1.1: Lending and Deposit Counterparties	9
TMP 2: Performance Measurement	13
TMP 3: Decision Making Processes.....	15
TMP 4: Approved Instruments, Methods and Techniques.....	15
Borrowings	15
Investments.....	17
TMP 5: Responsibility for Treasury Management	19
TMP 6: Reporting Requirements.....	20
TMP 7: Budgeting, Accounting and Audit Arrangements	21
TMP 8: Cashflow Management.....	21
TMP 9: Money Laundering	22
TMP 10: Staff Training and Qualifications	22
TMP 11: Use of External Service Providers	23
TMP 12: Corporate Governance	23
Appendix 1 – Treasury Management Debt Instruments	1

TREASURY MANAGEMENT POLICY STATEMENT

It is the policy of Eildon Housing Association (Eildon) that:

1. Eildon as the cornerstone for effective treasury and investment management, will create and maintain:
 - a) A Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities.
 - b) Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. The content of the Policy Statement and TMPs follow the recommendations of the **CIPFA Code of Practice for Treasury Management in the Public Services**¹ (the Code), subject only to amendment where necessary to reflect the circumstances of Eildon. Any such amendments will not result in Eildon materially deviating from the 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 prior to the start of the year, a quarterly review and an annual report after its close in the form prescribed in its TMPs.
4. The Board will also be responsible for monitoring compliance with Eildon's treasury management policies and practices and monitoring any changes to existing covenants either by lender or through a change in accounting requirements. The Board delegates the execution and administration of treasury management strategy to the Director of Business Support (DBS), who will act in accordance with the organisation's policy statement, TMPs, and if they are a member of professional financial body, the relevant professional standards.
5. The DBS can, after consultation with the Chief Executive (CEO), alter timings of proposed actions within the treasury strategy providing that any such actions are reported within the monitoring and reporting framework as set out in this Policy and associated TMPs.
6. This organisation nominates the Audit & Risk Committee (ARCom) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

¹ <https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>

INTRODUCTION

This Treasury Management Policy (Policy) is intended to ensure that the treasury management activities of Eildon are managed and controlled appropriately, and in a manner that complies with best practice, as set out in the Code and in line with the expectations of the Scottish Housing Regulator (SHR) as set out in the **Standards of Governance and Financial Management**.²

In addition, effective treasury management underpins our strategic objectives, in particular continued organisational viability, and is fundamental to our ability to deliver on our strategic ambitions to continue to invest in existing and new social and affordable housing and in decarbonising our property assets. To achieve this a holistic approach to our treasury management is required and this Policy provides the framework for Eildon to operate within.

This Policy is structured to address the 12 Treasury Management Practices (TMP) identified in the Code and as set out below.

TMP 1	Risk management, with TMP1.1 to 1.9 providing fuller detail on each of the risks set out in the Code
TMP 2	Performance measurement
TMP 3	Decision-making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP 6	Reporting requirements and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cashflow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

² <https://www.housingregulator.gov.scot/for-landlords/regulatory-framework>

The Policy is supported by:

- a) Documented delegation of specific reporting, decision-making and control authorities by the Board to ARCom, the CEO and the DBS.
- b) A detailed risk map for treasury activities, maintained by the DBS and reported annually to ARCom.
- c) A schedule of relevant data in the format outlined in the SFHA Treasury Management Guidance, maintained by the DBS and reported annually to Board with the treasury management strategy.
- d) Relevant sections of the job description and person specification for the CEO and DBS posts.
- e) Detailed procedure notes for specific processes, controls and transactions, under the control of the DBS.

The structure of the Policy follows the SFHA Guidance.

POLICY DEFINITION AND OBJECTIVES

- 1. Eildon 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. Eildon 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 Eildon and any financial instruments entered into to manage these risks.
- 3. Eildon 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.

TMP 1 – RISK MANAGEMENT

General Statement of Risk Management

1. The CEO and DBS will prepare and present to the Board a Treasury Management Strategy (TMS) and a Treasury Management Report (TMR) annually.
2. The TMS will be prepared in conjunction with the annual Medium and Long-Term Viability Plan and form part of the Business Plan submission to the SHR. Its scope will be forward looking and will focus on the next budget year and subsequent four financial years (i.e. the 5 Year Viability Plan (5YVP) timeframe).
3. The TMR will be prepared in conjunction with the Quarter 4 Management Accounts and Development and Treasury Report be based on the draft unaudited financial statements for the preceding financial year and presented to the Board prior to the external audit.
4. The TMR will include a summary of treasury management activity in the preceding 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 covenant compliance and headroom for all covenants for all lenders
 - Summary of cash deposit position and activity since the previous TMS
 - Summary of investment portfolio position and activity since the previous TMS
 - Summary of performance against the “Golden Rules” set out in the previous TMS
5. The TMS will include a summary of the projected treasury management activity for the 5YVP period including the current budget year and will include:
 - Current treasury management risk map
 - Summary of forecast cashflows for at least five financial years
 - 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)
 - 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)

- Statement of borrowing requirements for at least the next three years together with a strategy for funding this requirement
 - Statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next 12 months
 - Statement of projected covenant compliance and headroom for all covenants for all lenders
 - Recommendation as to the mix of fixed, variable and index linked interest rates to apply across Eildon's debt portfolio at the end of the next financial year
 - Statement on the projected loan security position for the next five years
 - Summary of the Treasury "Golden Rule" targets for the next 12 months
 - Any proposals for amendments to this Treasury Management Policy Statement, including the Treasury "Golden Rules", which will require Board approval.
6. The DBS will prepare and present information treasury and investment activity and the key treasury performance indicators (Treasury KPIs), with updated cashflow and covenant projections to the financial year, within the quarterly reports to Board. The bulk of this information will be reported within the quarterly development and treasury report; however, additional information will be included in the performance and finance reports.
 7. The DBS:
 - will design, implement, and monitor arrangements for the identification, management and control of treasury management risk, and where appropriate report this within Eildon's Risk Management Model of assurance.
 - will report to the CEO, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving Eildon's objectives in this respect.
 8. Long term cashflow forecasts and treasury management strategy will be included in the annual business plan prepared for Board approval.
 9. Significant variations to cashflow forecasts covering the next 12 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.
 10. All in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements.
 11. Eildon 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

Eildon will maintain lists of approved lending and deposit counterparties. Institutions may only be added to either list with the prior approval of Board. These lists will be included in the annual TMS approved by Board, and any amendments will be presented to Board for approval as and when required throughout the following year.

Lending Counterparties

Eildon may borrow from:

- Banks and building societies; authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA), or their EU equivalent for European banks and who are members of UK Finance;
- Financial institutions (pension funds, insurance companies etc.) through public bond issues, private placements³ or bilateral loans e.g. Pensions Investment Corporation (PIC);
- Bond aggregators using the UK Capital Market that are registered with the FCA such as The Housing Finance Corporation (THFC), Board Social Housing, MORhomes and bLEND
- Scottish Government supported initiatives such as the Allia C&C Bond programme and approved Scottish Local Authority schemes.

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 Eildon in accordance with the terms of the loan agreement.

Creditworthiness

This will normally mean that lending organisations are at least investment grade and are able to demonstrate a long-term commitment to the Scottish social housing sector and unless otherwise approved by Board, lenders must have minimum credit ratings of:

	Minimum Short-Term Rating	Minimum Long-Term Rating
Moody's	P-1	A3
Standard & Poor's	A-1	A-
Fitch Ratings	F1	A-

³ A Private Placement defined as "Purchasers of Senior Notes issued by the Association where the Purchaser is duly permitted by applicable law, as defined in the relevant Note Purchase Agreement, drafted in recognised standard form."

Exposure

In the case of borrowing, the objective is to minimise costs consistent with ensuring the stability of the Eildon's financial position by sound debt management techniques. As such both our borrowing and lending activities will take cognisance of the advantages of hedging against risk through diversification. The management of our borrowing will be undertaken within the broad parameters as set out below and the TMS will determine the appropriate ranges Eildon's specific requirements as part of the annual setting of the strategy:

(i) Interest Rates on loans, in terms of total value of the loans

The acceptable range of interest rate exposure is set out below:

	% of total debt	
	Fixed	Variable
Without Interest Rate Swap	50% - 80%	20% - 50%
With Interest Rate Swap	55% - 90%	10% - 45%

(ii) Borrowings in terms of the total value of the loans

The acceptable exposure to lending counterparties is set out below:

	Range % of total debt
Banks	0% – 70%
Building Societies	0% – 70%
Financial Institutions	0% – 70%
Bond Aggregators	0% – 50%
Government Bond Initiatives	0% – 50%
Local Authorities	0% – 50%

The maximum % of total debt that will be committed to a borrowing product where the interest is payable at the same time as a bullet repayment is **25% of the total debt portfolio**.

(iii) Borrowing Maturity Profile

The acceptable maturity profile for the Eildon loan portfolio is set out below:

	Range % of total debt
Under 12 months	0% – 10%
12 months to 2 years	0% – 15%
2 to 5 years	0% – 30%
5 to 10 years	0% – 40%
10 years and above	20% – 80%

The weighted average life of Eildon's total loan portfolio is targeted to be in the range of 15–30 years.

(iv) Unencumbered:Encumbered Properties

The TMS will state the current and projected position of unencumbered: encumbered properties. It is important to ensure that there is sufficient unencumbered stock to meet future loan security requirements and any other obligations that we have.

The acceptable levels of **unencumbered properties as a % of total units owned and under Eildon management is 15% to 100%.**

This is to provide flexibility cover general security commitments and capacity to respond to unexpected funding requirements.

Investment and Deposit Counterparties

All Treasury Management activities involve risk and potential reward. The policy of the Association in the investment of cash is to achieve a satisfactory return while minimising risk. The overriding principle is one of prudence to preserving capital value rather than to maximising return.

The DBS is authorised to deposit or invest funds only with institutions approved by the Board as part of the Policy and as set out in the approved deposit counterparty list.

Exposure

The Board will set a limit for the amount that may be invested in any one institution at any point. If cash balances exceed £2m, no more than 80% may be invested in any one institution or banking group, and if balances exceed £5m, no more than 60% 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 with the institutions providing a basic banking service and

funds invested with local authorities.

The sole exception to the rule above will apply where Eildon receives funds unexpectedly in which case deposits may be made with Eildon's day-to-day bank for periods of up to 30 days, and promptly reported to the CEO and Board.

Creditworthiness

Eildon 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 appropriate professional advice.

The DBS is responsible for monitoring investment counterparties and ensuring that they meet these criteria.

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

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

Eildon 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 Eildon 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 Eildon's minimum creditworthiness criteria, the investment should be withdrawn from the institution as soon as is practical and no later than maturity unless otherwise approved by Board as an exception to policy.

Environmental, Social and Governance Risk Considerations

Eildon is committed to being a responsible and sustainable social housing provider.

To demonstrate this commitment to investors Eildon will provide an annual statement against a recognised sustainability reporting framework.

In addition, Eildon 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, as and when these are updated by the counterparty. Where CEO and DBS are not satisfied that a counterparty's ESG objectives and strategy are consistent with Eildon's, then Board will be presented with the information and a recommendation will consider the cessation of placing investments with that counterparty and in the case of lenders, alternative borrowing options that should be considered.

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 business circumstances of Eildon. Comment on the findings will be made in the TMS.

New Borrowing

The DBS will record the interest rate secured and other costs payable by Eildon 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. These costs will be reported to Board in the annual TMS.

Treasury Investments

Where applicable, DBS will, at least annually, review the level of returns being made on any investments held by Eildon, with a view to assessing whether the current methods and instruments being utilised continue to represent good value for Eildon. 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 Eildon in TMP 1.1. The assessment undertaken will include a comparison of the returns achieved by Eildon 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.

External Services

The TMS will report on external services provided in the previous year and contracted for in the forthcoming year. DBS 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 Eildon'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.

Treasury Golden Rules

	Performance Indicator
Levels of Indebtedness	Total Debt (£m)
	Maturity Profile of Debt:
	Under 12 months
	12 months to 2 years
	2 to 5 years
	5 to 10 years
	10 years and above
	Gearing Ratio (Strategic KPI)
Interest Rate Exposure:	Ratio of Fixed to Variable Debt (%)
	percentage of the fixed loans by period
Loan Covenant Compliance	RBS and Santander Interest Cover and Loans to Net Worth Ratios
Affordability	Net Interest Cost p.a. (£m)
	Interest Cover Ratio (Strategic KPI)
Counterparty Exposure	Maximum Investments by Individual Counterparties
	Loan Exposure to Counterparties
Security	Encumbered : Unencumbered Stock

The Treasury Golden Rules will be approved annually as part of the TMS. They will be monitored by Board quarterly as part of the management accounts, performance and development & treasury reporting.

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 Board, and in compliance with the Rules, Standing Orders and Financial Regulations. In making key decisions regarding its treasury management activities, Eildon will ensure that proper consideration is given to all relevant factors. These will include:

- a) The powers of Eildon 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 decision will be informed by an appropriately detailed written report, covering as appropriate, the areas identified above. Such reports will be compiled by CEO and DBS for consideration and decision by 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 Eildon's standing orders. The DBS will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer of Eildon who may be involved in implementing those decisions.

TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Borrowings

The DBS will maintain accurate, complete and up to date data on all treasury management debt instruments in the format set out at Appendix 1. This will be presented to Board annually, within the TMS.

Borrowing Instruments

Eildon does not enter into transactions of a speculative nature and fixes rates of interest through embedded rates within loans and swaps using an ISDA MTM⁴ instrument (ISDAs).

Eildon can utilise the following instruments with the approved lending counterparties:-

- Secured or Unsecured bank loan facilities with bullet repayment, capital and interest repayment (amortising/mortgage) or revolving credit facilities (RCF).

⁴ ISDA (International Swaps and Derivatives Association) MTM (Mark to Market)

- Public bond issues, private placements⁵ or bilateral loans with approved financial institutions (inc. bond aggregators)
- Scottish Government supported funding vehicles.

Eildon will **not**:

- Enter into low start or deferred finance
- Be exposed to currency risk and therefore, will not borrow funds denominated in foreign currencies.

Use of ISDA MTM Instruments

The nature of ISDAs means that these are separate standalone contracts to the loan facility. Eildon will only enter into these arrangements where there is:

- a demonstrable benefit above that of embedding a fixed rate within the loan facility,
- collateral/security requirements can be provided by way of heritable property and/or cash,
- the regulatory reporting duties are undertaken by the borrowing counterparty and not Eildon, and
- the total amount of loan debt hedged using ISDAs does not exceed the lower of £5m or 5% of Eildon's total loan portfolio value.

Board Approval of New Loans

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

- a) Accurately reflects the terms and conditions agreed with lenders
- b) Complies with applicable legislative and regulatory requirements
- c) Has been compiled by suitably qualified advisors
- d) Demonstrates the best value option for Eildon.

The conclusion of any new loan documentation will be done with the benefit of appropriate advice from officers of Eildon, Eildon's solicitors or other legal advisers, and other such specialist advice as may be required.

⁵ A Private Placement defined as "Purchasers of Senior Notes issued by the Association where the Purchaser is duly permitted by applicable law, as defined in the relevant Note Purchase Agreement, drafted in recognised standard form."

TMP5 Responsibility for Treasury Management set outs the delegation of authority in relation to borrowing and lending activities.

In relation to new loan documentation, the DBS will prepare a report to 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 Eildon'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 Boards attention.

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

Investments

Eildon will not be exposed to currency risk and therefore will not deposit funds denominated in foreign currencies.

Permitted Cash or Equivalent Investment Instruments

Eildon is permitted to invest cash surpluses in instant access and fixed term deposits (subject to the <365 day maturity restriction). Eildon is permitted to invest cash surpluses in the following investment instruments:

- a) instant access and fixed term deposits (subject to the <365 day maturity restriction) with approved investment counterparties,
- b) AAA-rated Low Volatility Net Asset Value money market funds,
- c) Short dated (<365 days) UK or devolved government securities

Investment Properties

The investment properties held by Eildon consist of commercial properties and properties not held for social benefit. These are non-service properties which are being held pending disposal or for a longer-term rental income stream. These are managed through the Director of Property Assets and are reported at market value.

There is no intention to increase the holding of investment properties.

The DBS will maintain a listing of the fixed asset investment properties within Eildon's Fixed Asset Register.

Group Subsidiary and Related Party Funds

Eildon Enterprise Limited (EEL) is a 100% owned trading subsidiary of the Eildon Housing Association (EHA) and these combined make up the Eildon Group.

A separate bank account will be maintained for EEL and their cash balances will be managed in accordance with this TMP.

Any cash is held on behalf of related parties will be held in separate bank accounts and any such funds will be managed in accordance with this TMP.

TMP 5: RESPONSIBILITY FOR TREASURY MANAGEMENT

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

Delegated power	Exercised by
Approval & Amendment of Treasury Policy	Board
Approval of the Annual TMS	Board
Application of Approved TMS	DBS
Approve the terms of Eildon's borrowing and investments and ensure that all such activities comply with legal and regulatory requirements and with Eildon's Rules	Board
Acceptance of loan offers and arrangements for approved schemes within the confines of the approved strategy and delegated authority	CEO and DBS
Drawdown of approved loan facilities in accordance with the TMS	CEO and DBS
Investment of surplus funds in accordance with TMS, TMPs and IMPs.	DBS
Hedging and other interest rate management	Board
Approval of bankers	Board

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

TMP 6: REPORTING REQUIREMENTS

The DBS reports to the Board on treasury activities as shown below:

Item	Frequency
Updated cashflow forecasts for the 12 months from the report date	Quarterly
Report to Board the most onerous covenant calculations and the position of any financial derivatives Incorporated into the Quarterly Financial and Performance Reports	Quarterly
Management accounts including cash and deposit balance information and a cashflow statement monitored against the quarter's targets	Quarterly
Provision of a Treasury Management Activity update as part of the Development and Treasury Report.	Quarterly
Loan summary report covering all existing and committed funding and including details of lender, interest basis and financial covenants. Incorporated into the annual TMS.	Annually
TMS incorporating five year cashflow forecasts, with associated borrowing and interest rate strategy; projected liquidity and funding needs; covenant projections; business plan assumptions; and funding market and options Prepared and presented for Board approval in conjunction with, or as part of, the annual update of the 5-year financial viability plan.	Annually by 31 May
Annual TMR, summarising loan and deposit movements in the preceding financial year, and confirming: <ul style="list-style-type: none"> • Covenant compliance at the financial year end • compliance with the treasury management policy • submission of all required reports and returns to SHR and lenders • Any relevant internal audit reports • Any relevant ESG measures 	Annually

The following will also be expressly reported to the Board:

1. All cases where either the Policy or the approved Strategy have not been complied with.
2. Changes to existing covenants either by lender or through a change in accounting requirements.

TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

Budgeting & Accounting

The budgeting and accounting for treasury management activity will be undertaken as part of the normal financial planning and control framework operated in accordance with Eildon's Financial Standing Orders.

Internal Audit

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

TMP 8: CASHFLOW MANAGEMENT

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

Based on this, DBS will prepare a detailed forecast for a period of at least 12 months and preferably of 60 months, projecting income and expenditure quarterly. This will inform the TMS and form the basis for planning and arranging any new borrowing required.

The cashflow projection will be updated quarterly and reported with the quarterly report suite to 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.

Minimum Cash Balance

Eildon Group will maintain a minimum working capital cash balance of £2.5m.

If there is a RCF in place, the utilised balance of the facility may be considered as part of this available cash balance.

TMP 9: MONEY LAUNDERING

Eildon will adopt 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 CEO and DBS, or which does not comply with Eildon'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 DBS will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The DBS 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 Eildon business will be reported as soon as possible to DBS.

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

Where the DBS 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

Eildon 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 DBS 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

Eildon's lead banking provider is Bank of Scotland Bank plc, part of the Lloyds Banking Group. Performance and value for money of banking services will be reviewed at least every five years, and, if the Board considers it appropriate, retendered.

Approval to appoint new bankers is reserved to Board.

Treasury Management Advisers

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

TMP 12: CORPORATE GOVERNANCE

Eildon 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. 1757R) under the Co-operative and Community Benefit Societies Act 2014;
- Scottish Housing Regulator as a Registered Social Landlord (No. HEP107) under the Housing (Scotland) Act 2010; and
- as a registered Scottish Charity with the charity number SC015026.

It is governed by an independent Board elected by its membership, referred to as the Board.

The Board is responsible for the approval and oversight of Eildon's strategy including the 5 Year Financial Viability Plan, the 30 Year Business Plan Projections, the Budget and the Treasury Management Policy. It includes Board members with appropriate skills, qualifications, and experience for the remit of the committee.

The Board maintains a committee structure which includes an Audit and Risk Committee (ARCom). The remit of each is set out in formal committee remit documentation which can be found in Eildon's Governance Manual.

ARCom has delegated responsibility for internal audit, external audit, risk management and compliance. It will assist the Board by ensuring that effective internal and external audit and control systems are maintained throughout the Eildon Group and that Eildon complies with statutory and regulatory requirements.

Neither the Chair nor Vice-Chair of Eildon may be a member of the ARCom. External and internal audit providers have a right of direct access to ARCom, without reference to the chair of the board, the CEO or DBS.

REVIEW

This policy should be reviewed within five years unless required earlier due to changes in the law, regulation, best practice or Eildon's requirements.

APPENDIX 1 – TREASURY MANAGEMENT DEBT INSTRUMENTS

Lender	Term (years)	Facility Amount	Current Amount	Available to draw	Type			End
		£'000	£'000	£'000	Hedge	Rate/Margin	Redeemed	Date

