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Location of Electronic Copy	F:\LIVE POLICIES

1. Viewpoint's Values

Viewpoint is here to help people enjoy their later years. Everything we do is about realising this vision, which is supported by the following straightforward set of values:

- Inspire with positive smiles and words;
- Say 'yes I can and I will';
- Celebrate age, experience and wisdom;
- Do according to our customers' wishes and ambitions;
- Treat people (everyone is a VIP) as we would a "loved one";
- Work hard, have fun and laugh;
- Stay courageous, creative and ahead of the game; and
- Work with those that share our values.

These promises shape us. They're a commitment to our residents, staff and suppliers. They are fundamental to every single plan, decision and project we embark on.

Ensuring that we have a robust Treasury Management Policy in place will support us in the delivery of those plans, decisions and projects, in accordance with our vision and values ensuring that the financial resources of the organisation are efficiently managed.

2. Policy statement

2.1 This statement sets out the policies, practices and objectives of Viewpoint Housing Association's ("the Association") treasury management activities, as agreed by the Association's Board.

2.2 The Association adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy ("CIPFA")'s Treasury Management in the Public Services: Code of Practice ("the Code") and acknowledges the three Key Principles as set out in Section 4 of the Code; specifically:

- Key Principle 1: Public Service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

- Key Principle 2: Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that the responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including the use of any 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: They should acknowledge that the pursuit of value for money 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, their treasury management policies and practices should reflect this.

2.3 The Association's Policy Statement is structured to reflect the twelve areas of treasury management policies identified in the Code.

2.4 The Association, in compliance with Section 6 of the CIPFA Code of Practice, defines its treasury management activities as:
"The management of the institution's 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."

2.5 The Association recognises its exposure to risk from a wide range of factors can impact on the achievement of its business objectives. The Association also recognises that treasury management activities themselves, including cash flow management, borrowing, investing and hedging, can potentially expose the Association to specific risks that require careful monitoring and management.

2.6 The Association 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 the Association.

2.7 The Association acknowledges that effective treasury management will provide support towards the achievement of its business objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employ suitable performance measurement techniques, within the context of effective risk management.

2.8 The Association follows the CIPFA recommendation, set out in Section 5 of the Code that all public sector organisations (including Registered Social Landlords) adopt the following clauses relating to treasury management as part of their formal policy documents:

i) The Association will create and maintain as the cornerstones for effective treasury management:

- A treasury management policy statement (this document), stating the policies, objectives and approach to risk management of its treasury management activities; and

- Suitable Treasury Management Practices (TMPs”), prescribing how the Association will seek to achieve those policies and objectives and how it will manage and control its treasury management activities.

2.9 The content of the policy statement and TMPs will follow the recommendations contained in the Code, subject only to amendment where necessary to reflect the particular circumstances of the Association, Such amendments will not result in the organization materially deviating from the Code’s key principles.

ii) The Association’s Board delegated responsibility for the implementation and monitoring of its treasury management policies and practices to the Risk and Audit Committee, and for the execution and administration of treasury management decisions to the DF and the Chief Executive, who will act in accordance with the Association’s policy statement and TMPs, and, if he or she is a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management.

iii) The Risk and Audit Committee will receive reports on its treasury management policies, practices and activities including, as a minimum:

- An Annual Treasury Strategy in advance of the year end ahead;
- A mid-year progress report on the Annual Treasury Strategy provided by the DF; and
- An Annual Treasury Report after year end covering the last 12 months, in the form prescribed in TMPs and produced in conjunction with its retained treasury advisors/investment managers.
  Treasury management reporting procedures are contained in TMP 6.

iv) The Risk and Audit Committee has overall responsibility for treasury management and shall approve the Annual Treasury Strategy and Annual Treasury Report, along with the relevant policy and procedural changes arising. The Risk and Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.
Specific responsibilities are contained within TMP5.

2.10 Section 3 of this document sets out the TMPs of the Association, in line with the key recommendations of the Code as set out in Section 7 of that Code.

3. Treasury Management Practices

3.1 TMP 1: RISK MANAGEMENT

General Statement

3.1.1 The DF will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report at least semi-annually on the adequacy and suitability of these. Furthermore the DF will report, as a matter of urgency, the circumstances of any actual or likely difficulty with the Association's objectives in this respect. All reports will be in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements, in respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out.

Credit and Counterparty Risk Management

3.1.2 Credit and counterparty risk is defined as the risk of failure by a third party to meet its contractual obligations to the Association under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Association's capital or revenue resources.

3.1.3 The Association regards a prime objective of its treasury management activities to be the security of the principal sum it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment and will maintain a formal counterparty policy in respect of those organisations from which it may borrow, place fund, or with whom it may enter into other financing or derivative arrangements, as detailed below.

3.1.4 The Association will limit its treasury management activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques.

3.1.5 The Association will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited. The Association will construct its counterparty list with security in mind, but with a reasonable spread to make the most of market conditions. The list will be reviewed by the DF on a continuing basis and at least annually.

3.1.6 The criteria used by the Association for creating and maintaining its counterparty lists and limits are primarily based on credit ratings. The Association uses credit ratings from the following credit rating agencies to assess counterparty risk:

- Moodys
- Fitch

3.1.7 The Association will seek to manage counterparty risk within the following general parameters, subject to operational requirements:

- Funds may only be deposited or invested with the institutions which hold a minimum of A-A- credit rating (with both Fitch and Moody's). Limits (excluding interest accruable) can only be exceeded with the approval of the Board.

- Operate designated Special Interest Bearing (SIB) accounts to facilitate the short term investment of surplus funds on the various current accounts held with the Royal Bank of Scotland. The SIB accounts will only be operated by way of transfers of funds between such SIB accounts and the respective current accounts. No external operations are permitted on SIB accounts.

3.1.8 Approve activities, sources of borrowing and investment organisations:

<u>Borrowing</u>

Under the Association's Model Rules 2020 the Association can borrow money as long as the total borrowing at any time is not more than £100 million.

The Association has long term funding arrangements in place which reflect the long term borrowing requirements. Short term capital finance requirements may be met out of the Association's cash surpluses where this represents the best use of resources.

It is the Association's policy to borrow only on a conventional interest and capital repayment funding basis. Any borrowing undertaken by the Association requires the specific authority of the Board, which will only be granted after regard has been given to the following:

- Full financial viability appraisal on the project(s) requiring funding
- Quality of the service likely to be received from the lender
- Interest rate structure with regard to the current interest exposure position
- Period of new loan as well as a consideration of the remaining period of existing loans
- Security arrangements
- Arrangement fees
- Comparison with alternatives (where applicable)
- Any other considerations (terms imposed, covenants, rules etc.)

The Association does not permit the use of stand-alone derivative contracts to hedge existing debt.

The Association's current funder is CAF Bank (CAF). Should the Association require additional funding it may negotiate loans from the following additional approved institutions, subject to compliance with the conditions of its current funding agreements, statute, external regulation or the Association's own.

Rules and Financial Regulations. Should legal or other specialist professional advice be required on these matters it should be sought.

Express and Prior approval from the Board is required before finance may be raised. Similarly the limits and fixed variable splits may be amended only with the approval of the Board.

A significant part of the Association's finance is raised through Loan-stock provided by loan-stock and shared ownership tenants. A separate policy covers the arrangements for these arrangements, however any decisions taken regarding the borrowing requirements for the Association must consider the status of the Loan-stock/Shared Ownership portfolio at that time.

3.1.9 The DF is responsible for closely monitoring the credit standing of approved counterparties. Where the DF has reason to believe that a counterparty's credit standing is or may become impaired, he/she should apply lower limits than set out above or cease to use them.

3.1.10 A full listing of the Association's counterparties and counterparty limits is maintained by the DF and included in the Annual Treasury Strategy and mid-year report.

3.1.11 Investments

The Board will, on an annual basis, review the amount it wishes to invest in accordance with its Investment Policy. The maximum investment will be £8m.

This £8m will be split £3m in medium to long term investments e.g. with a 5-10 year investment time horizon. This element of the investment portfolio will be managed by an independent Investment manager who will be appointed initially on a three year contract. The Investment manager will report to the Board on an annual basis shortly before the financial year end which will allow the Board, in conjunction with the forthcoming year's budgets and projected cash flows, to decide the investment plans for the year ahead.

The short term element of the investments should be no greater than 365 days and the total investments in short term funding should be limited to a total of £5m with a maximum of £1m (20% of the total) invested in any one single institution.

The Flagstone investment platform should be used to identify suitable vehicles for these investments.

Authority is delegated to the Director of Finance to maintain these investments on a day to day basis but they will report quarterly to the Risk and Audit Committee on investment performance.

The Investment Policy is included in Appendix 1.

Cash surpluses will be invested for the best available return, consistent with controlling risk and to ensure:

- To short term capital requirements are met
- Adequate level of cash balances are retained for day to day operations and contingencies

Liquidity Risk Management

3.1.12 Liquidity risk is defined 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 Association's business objectives will be thereby compromised.

3.1.13 The Association will ensure that 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 to ensure that its liabilities will always be met when due and to ensure adequate liquidity is at all times available to meet unexpected expenditure requirements that may arise from time to time.

3.1.14 The Annual Treasury Strategy (see TMP6 "Reporting Requirements") will contain a proposed liquidity maintenance requirement for the following financial year, subject to the overriding requirement that the Association's available liquidity must, at all times, meet each of the levels specified below:

3.1.14.1 **Liquid Funds** equal to the higher of

- The approximation of the debt interest and capital payments and operating cash expenditure incurred by the Association in a typical month and stated in the Annual Treasury Strategy based on the forecast for the following twelve months; and
- Forecast net cash outflow for the next calendar month.

Liquid funds are defined as the aggregate of:

- Cash balances with a maximum deposit maturity up to seven days;
- 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;
- Undrawn available overdraft facilities;

3.1.14.2 **Short Term Funds** equal to the net cash forecast outflow for the next three calendar months. Short term funds are defined as the aggregate of:

- Liquid Funds;
- Cash balances with a deposit maturity period of between seven days and one month;
- 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 one month.

3.1.14.3 **Medium Term Funds** equal to 100% of the sum of all loan payments falling due within 6 months. Medium Term

Funds are defined as the aggregate of:

- Short Term Funds;
- Cash balances with a deposit maturity period of one to three months;
- Undrawn committed borrowing facilities where security has been nominated and which can be charged to the lender's satisfaction so as to make the facility available for drawdown within three months; and
- Appropriate overdraft facilities from the Association's clearing bankers will be maintained as required by operational requirements.

Interest Rate & Inflation Risk Management

3.1.15 Interest rate risk is defined as the risk that fluctuates in the levels of interest rates create an unexpected or unbudgeted burden on the Association's finances, against which the Association has failed to protect itself adequately.

3.1.16 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.

3.1.17 The Association will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues while maintaining the security of the invested funds, It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates and inflation.

3.1.18 The Association does not permit the use of stand-alone derivative contracts to hedge existing debt.

Exchange Rate Risk Management

3.1.19 Exchange rate risk is defined as the risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Association's finances, against which the Association has failed to protect itself adequately.

3.1.20 The Association will not incur exchange rate risk and accordingly will only borrow and invest in sterling (or other currency in the

UK).

Refinancing Risk Management

3.1.21 Refinancing risk is defined as the risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Association for those refinancings, and/or that the terms are inconsistent with prevailing market conditions at the time.

3.1.22 The Association will ensure that its borrowings, 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 Association as can reasonably be achieved in the light of market conditions prevailing at the time. The Association 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.

3.1.23 The DF will regularly consider and review whether the existing borrowing facilities meet the Association's business objectives and continue to offer best value when compared to the current lending market. The DF shall update the Risk and Audit Committee on the funding market periodically.

Legal and Regulatory Risk Management

3.1.24 Legal and regulatory risk is defined as the risk that the Association itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and the Association suffers losses accordingly.

3.1.25 The Association will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

Fraud, Error and Corruption, and Contingency Management

3.1.26 The risk is defined as the risk that an Association 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.

3.1.27 The Association will ensure that it has identified these circumstances and has taken appropriate action including the employment of suitable systems and procedures and maintaining effective contingency management arrangements to these ends.

Price Risk Management

3.1.28 Price risk is defined as the risk that, through adverse market fluctuations in the value of the principal sums an Association invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself.

3.1.29 The Association will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sum it invests, and will accordingly seek to protect itself from the effects of such fluctuations. Whilst the day to day management of the investment portfolio is outsourced to independent Investment manager they will report to the Board on an annual basis to ensure the Board can be satisfied both as to the performance of the portfolio and that the Association continues to meet the its Investment Policy.

3.2 TMP 2: BEST VALUE AND PERFORMANCE MEASUREMENT

3.2.1 The Association is committed to the pursuit of best value in its treasury management activities, and to use of performance methodology in support of that aim.

3.2.2 Accordingly, the Finance function will be the subject of ongoing analysis of the value it adds in support of the Association's business objectives. It will be subject of regular examination of alternative methods of service delivery, and of the scope of other potential improvements. These will be addressed annually in the Annual Treasury Report.

3.2.3 Treasury management does not tend to lend itself to easily measurable performance indicators. By its nature, Treasury's role is to protect and enable the rest of the business; yet exogenous events can greatly influence treasury outcomes – therefore measurement of the performance of the treasury function will take account of such factors.

3.2.4 It is appropriate for the DF to recommend to the Risk and Audit Committee, and for the Risk and Audit Committee to approve annually, the measures to be applied to assess the performance of the Treasury function and it is recognized that these will change from year to year to reflect the Association's business circumstances in the wider economic environment.

3.2.5 The checklist below sets out the likely criteria/activities/tests that may be undertaken to test the performance of the Treasury function on an annual basis.

Key Performance Indicators; Checklist for an Annual Review of Treasury Performance

3.2.6 Purpose:

- Does treasury management have a clearly defined purpose within the Association?

3.2.7 Business Planning and Budgeting

- Has the capacity of the Association for future development been tested under varying grant, rental income, interest rate, and inflation scenarios?
- Has the probability of covenant breach been tested under macroeconomic scenarios?
- Are business forecasts macroeconomic assumptions based on market expectations?
- Have actual macroeconomic conditions been reflected in business plan scenario testing?
- Have the differences between budget and outturn been identified and adequately explained?
- What steps have been taken to improve budgetary forecasts in the next planning period?
- Are pension risks incorporated in the business plan?

3.2.8 Execution:

- Were competitive prices sought at all reasonable opportunities in relation to treasury matters?
- Have transaction costs been calculated and recorded?

3.2.9 Cash and Liquidity

- Has a strategic decision been made, within the period, in relation to the target balance between risk and return in the cash and any investment portfolio?

- What criteria beyond the Treasury Management Policy Statement, have been used to evaluate counterparty risk (e.g. equity prices, news), and do these reflect the strategic intent (as above)?

3.2.10 Funding and Security

- Does the Association have a plan for securing future funding well in advance of its expected deployment, and an associated timetable?
- Are there opportunities to generate economic savings through refinancing and have these been implemented?
- Is there a contingency plan in the event that the expected funding route is not successful?
- Has the Association made financial commitments where funding has not already been secured?
- Is the Association prepared for adverse valuations?

3.2.11 Compliance and Reporting

- Has the Treasury Management Policy been complied with (e.g. in relation to treasury reporting)?
- Have areas of non-compliance been reported promptly?
- Have all loan facility covenants and other requirements been met?
- If loan facility covenants and other requirements have been breached, were they expected?
- Have all regulatory returns been submitted promptly and accurately?

3.2.12 Interest Rate and Inflation Risk Management

- Has the interest cost met budget expectations and have any material variances been analysed and satisfactorily explained?

3.3 TMP 3: DECISION MAKING AND ANALYSIS

Record Keeping

3.3.1 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 demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

Borrowing (where a loan has already been approved)

3.3.2 Delegated authority to draw down funds is placed with the DF. The amount of borrowings required will be dictated by the business cash flow requirements and proposed development expenditure (if any). The exact amount of borrowings required will vary from time to time but will be at least sufficient to meet all liquidity requirements as outlined in the Policy.

3.4 TMP 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

3.4.1 The Association will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in this TMP, and within the limits and parameters defined in "Risk Management" in TMP 1 above.

Capital Finance

3.4.2 The DF, by way of delegated authority from the Risk and Audit Committee, is responsible for and oversees all funding activities on behalf of the Association. No commitment to enter into new funding facilities may be entered into without the specific approval of the Risk and Audit Committee.

3.4.3 When considering whether to commit to borrowing funds, the DF will prepare a report for the Risk and Audit Committee containing the following information as a minimum:

- The name(s) of the proposed lender(s) with a brief description of their experience, understanding of the social housing market and perceived market standing;
- In the case of committed undrawn facilities which are to be used for calculating available liquidity, the proposed lender(s) credit ratings and track record in the social housing market;
- Details of the interest bases permitted under the proposed facility;
- The basis and level of the lender's interest rate margin;
- Details of commitment, arrangement and other fees, legal costs, valuation fees etc.;
- Details of financial covenant requirements and any other restrictive undertakings required together with an assessment the Association's ability to comply therewith and comparison to existing covenants;

- Details of security arrangements;
- Comparison with other offers and a cost benefit analysis (where required);
- Arrangements for drawings funds; and
- Details of any independent financial, legal or other advice received.

Appropriate Methods of Funding

3.4.4 The Association may borrow by means of overdraft, revolving credit facilities, money market facilities, term loans, commercial paper, bonds and other capital market debt, securitisations, notes, recoverables sold or discounted, lease, hire purchase or conditional sale agreement and other sources specifically approved by the Board provided that such borrowing is within the agreed risk appetite.

Terms and Conditions of Capital Finance

3.4.5 It is the DF responsibility to ensure that all borrowing is executed on the best commercial terms possible.

3.4.6 The Association will seek to maintain minimum levels of covenant compliance in excess of the levels imposed by its loan agreements at all times. Anticipated levels of compliance and internally set compliance targets will form an integral element of the Annual Treasury Strategy.

Collateral

3.4.7 It is the Association's general policy to minimise the level of asset cover provided to lenders. The Association will endeavour to ensure that its borrowing arrangements permit maximum flexibility to release and substitute charged assets and will grant floating charges on an exceptions basis only.

Investment

3.4.8 Subject to the limits and credit criteria specified in TMP 1, the Association may invest surplus funds in the following approved instruments:

- Short term deposits;
- Money market funds;

- Certificates of Deposit issued by authorised institutions; and
- UK Treasury Bills and Gilts.

3.4.9 Prior approval from the Board is required for proposed investments in any other medium.

3.5 TMP 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

3.5.1 The Association considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities and clear accountability.

3.5.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies. The Association considers it desirable that there is a separation between "front office" and "back office" activities, but recognises that within a small finance function this may not always be practicable. Front office activities include implementing policies, executing transactions and negotiating new funding facilities. Back office activities include signing confirmations, transmission of funds, recording and administering treasury management decisions and auditing treasury management activities.

3.5.3 The DF will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

3.5.4 The DF will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover.

3.5.5 The Association's structure for responsibilities and delegated authorities relating to treasury management is as follows:

3.5.6 Board

- Approval of key policies, procedures and delegation of authority;

- Budget consideration and approval;

3.5.7 Risk and Audit Committee

- Approval of the Annual Treasury Strategy as recommended by the Director of Finance and Assets (see TMP 6);
- Review of the Annual Treasury Report (see TMP 6); and
- Approving the selection of external service providers and agreeing terms of appointment.

3.5.8 DF:

- Recommending clauses, treasury management policy / practices for approval, reviewing the same regularly and monitoring compliance;
- Submitting budgets and budget variations;
- Implementation of the Annual Treasury Strategy;
- Delivery of the periodic treasury reports to the Audit and Risk Committee (see TMP 6);
- Supervision of the treasury activities undertaken by the finance function;
- Receiving and reviewing management information reports;
- Execution of transactions;
- Ensuring the adequacy of internal audit and liaising with external audit; and
- Recommending the appointment of external service providers.

3.6 TMP 6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

3.6.1 The Association will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

3.6.2 As a minimum, the Risk and Audit Committee will receive:

- An Annual Treasury Strategy setting out the treasury plan to be pursued in the coming year. The Annual Treasury Strategy will be provided to and approved by the Risk and Audit Committee at committee meeting following financial year end.

- A semi-annual “progress” report of the Annual Treasury Strategy.
- An Annual Treasury Report on the performance of treasury management activities over the past year, including effects of the decisions taken and the transactions executed during the year, the reasons for and the effects of any changes to the strategy set at the beginning of the year and on any circumstances of non-compliance with the Association’s TMP statement. The Annual Treasury Report will be provided to the Risk and Audit Committee no later than the next committee meeting occurring after 30 June.
- The semi-annual report will be provided to the Audit and Finance Committee no later than next committee meeting occurring after 30 November.
- An annual report on the performance of any external service providers.

3.6.3 The following matters should be included in reports to the Risk and Audit Committee:

3.6.4 Annual Treasury Strategy

3.6.4.1 A review of the appropriateness of the Association’s approved clauses, treasury management policy statement and practices and details of any proposals for amendments to the treasury management policy or TMPs;

3.6.4.2 Forecast cash flows for the following financial year and no less than the succeeding three years;

3.6.4.3 A statement of borrowing requirements for the next financial year together with a strategy for funding this requirement;

3.6.4.4 Analysis of current prevailing short and long term interest rates, comparison with historical trends and estimated trend movements over the next financial year. This data will be supported with externally gathered expert opinion;

3.6.4.5 Details of borrowing maturities over the next five financial years, including a maturity ladder detailing all fixed interest rate borrowing;

3.6.4.6 A report on current outstanding borrowing, including short term debt. This should include a statement of the proportion of fixed, variable and index linked interest rate borrowing and commentary from the DF’ annual review of all loan and related documentation as to whether these are still acceptable to the Association's business objectives and the current market;

3.6.4.7 A recommendation as to the proportion of fixed, variable and index linked interest rates to apply within the Association's debt portfolio at the end of the next financial year, according to operating circumstances and based on sensitivity analysis of anticipated cash flows;

3.6.4.8 Detail the Association's strategy for refinancing maturing borrowing (if any), changing the mix of fixed, index linked and variable interest rates and for financing new borrowing requirements over the next five years. The Annual Treasury Strategy must include:

- sources of finance;
- proposed maturities and maturity structure;
- mechanisms available for controlling and managing interest rate risk exposure including fixed, variable, index linked interest;
- anticipated interest rate levels;
- a statement of unencumbered assets available to support borrowing and a statement of the effect of any proposed new borrowing;
- forecast of the impact of the proposed strategy on financial covenants.

3.6.4.9 A proposed liquidity maintenance requirement for the following financial year;

3.6.4.10 A statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next financial year;

3.6.4.11 Detail the Association's strategy for investing surplus funds and include, on an aggregated basis:

- A forecast of funds required to repay maturing debt or for other cash flow requirements;
- A forecast of surplus funds available to meet contingencies;
- An investment strategy, including proposed instruments and maturities, designed to maximise returns and also ensure sufficient liquidity to meet forecast requirements;
- A forecast of the impact of the proposed strategy on any applicable borrowing terms and conditions;
- Commentary on the appropriateness of the

Association's list of counterparties and any proposed changes to this list (if applicable).

3.6.4.12 Any changes to measures to be applied to assess the performance of the Treasury function; and

3.6.4.13 Anticipated levels of covenant compliance and internally set compliance targets.

3.6.5 Annual Treasury Report

3.6.5.1 An overall summary of treasury operations for the year, including transactions executed and their revenue effects and risk implications;

3.6.5.2 A compliance report on agreed treasury management policies and practices, CIPFA Code recommendations and any statutory or regulatory requirements.

3.6.5.3 A statement of the proportion of debt that is hedged including a maturity ladder detailing all fixed interest rate borrowing and interest periods within variable rate borrowing;

3.6.5.4 An analysis of actual cash flow compared with budgeted levels and commentary on variations (both positive and negative);

3.6.5.5 A report analysing compliance with permitted borrowings and prevailing regulations, including:

- Total borrowings outstanding;
- Total short term borrowings;
- Financial covenant compliance; and

3.6.5.6 Confirmation that total permitted borrowing has not been exceeded.

3.6.6 Semi-annual Progress Report

3.6.6.1 Commentary on treasury operations for the period;

3.6.6.2 Commentary on variations (if any) from agreed policies / practices;

3.6.6.3 Comparison of cash flow with budget and commentary on variances;

3.6.6.4 Debt summary and covenant report;

3.6.6.5 Interest payable and receivable analysis; and

3.6.6.6 Proposed amendments (if any) to limits within the Treasury Management Policy.

3.7 TMP 7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

3.7.1 The DF will prepare, and the Board will approve and, if necessary, from time to time will amend, an annual budget which will include income and costs associated with treasury management activities. The matters to be included in the budget will at minimum be those required by statute or regulation. The DF will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with the previous section.

3.7.2 The Association will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

3.7.3 The Association will ensure that its auditors, and those charged with regulatory reviews, have access to all information and papers supporting the activities related to treasury management, as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

3.8 TMP 8: CASH AND CASH FLOW MANAGEMENT

3.8.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Association will be under the control of the DF and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the DF will ensure that these are adequate for the purposes of monitoring and forecasting the Association's liquidity requirements and for monitoring overall compliance with TMP 1 Risk Management.

3.8.2 The DF will prepare periodic cash flow projections as follows:

- On an annual basis, the forecast cash flows for the following financial year and no less than the succeeding 4 years will be prepared. These forecasts will form part of the Annual Treasury Strategy; and
- On at least a quarterly basis, the forecast cash flows for the following 12 months will be prepared.

3.8.3 The Association's arrangements for monitoring debtors and creditors are as follows:

- Aged debtors and creditors are reviewed at least monthly to identify any old balances with action taken accordingly; and
- All creditors are paid within agreed payment terms.

3.9 TMP 9: MONEY LAUNDERING

3.9.1 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 procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained in the legal requirements pertaining to money laundering and, in particular 'know their clients and counterparties'. Any suspicious activities are to be reported to the DF.

See also Anti-Fraud and Money Laundering Policy

3.10 TMP 10: STAFF TRAINING AND QUALIFICATIONS

3.10.1 The Association recognises the importance of ensuring that all staff involved in the finance function are fully equipped 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.

3.10.2 Staff involved in the finance function of the Association will receive adequate training to provide them with the necessary skills and knowledge to keep them up to date with treasury management best practice. Each year the DF will assess internal training needs and make appropriate provision for costs.

3.10.3 The Association also recognises that those charged with governance of the Association's treasury management strategy should receive training to equip them in their decision making. The Risk and Audit Committee will therefore also receive regular training and development sessions as required to ensure that they have the necessary skills to understand and approve treasury reports.

3.10.4 The Risk and Audit Committee must ensure that the DF has the necessary skills and experience to cope with the level of complexity of the Association's treasury management requirements.

3.11 TMP 11: USE OF EXTERNAL SERVICE PROVIDERS

3.11.1 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. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the DF.

3.11.2 The use of external treasury management consultants will be considered in the following circumstances:

- Ongoing treasury support relating to strategy and/or policy;
- Provision of regular market information;
- The raising of additional finance and/or refinancing of existing borrowing including debt hedging advice; and
- Negotiation and re-negotiation of loan covenants and margins.

3.11.3 Approval in line with the Association's Scheme of Delegation should be sought prior to the engagement of any external consultants.

3.12 TMP 12: CORPORATE GOVERNANCE

3.12.1 The Association is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices 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.

3.12.2The Association has adopted and has implemented the key recommendations of the CIPFA Code of Practice. This, together with the other arrangements and procedures detailed in the TMP sections of this document, are considered vital to the achievement of proper corporate governance in treasury management, and the DF will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

4. Equality Impact Assessment (EIA)

No potential equalities issues have been identified in relation to the development of this policy and consequently an EIA has not been completed.

5. Privacy Impact Assessment (PIA)

No data protection implications have been identified in relation to the development of this policy and consequently a PIA has not been completed.

6. Monitoring and Evaluation

The adherence to this Policy will be monitored through both the annual external audit process and periodic internal audits. Management Accounts with supporting commentary will be provided quarterly to both Risk and Audit Committee and to the Board following regular scrutiny by the Executive Team, Leadership Group and budget holders where applicable. A key element of the organisation's Treasury management is its investment portfolio which is managed on its behalf by independent Investment Managers. The Investment Managers will report on the performance of the portfolio on a quarterly basis in writing together with in person update to the Risk and Audit Committee and/or the full Board on an annual basis, as a minimum.

7. Policy review

A review of the Treasury Management Policy will take place at least every three years or earlier if required by legal, regulatory or best practice requirements or if requested by the Board.

Appendix 1

Investment Policy Statement

Introduction

Viewpoint Housing Association (Viewpoint) is a registered Scottish Charity and as such, is subject to the provisions of the Charities and Trustee Investment (Scotland) Act 2005 and all relevant statutory instruments. Viewpoint is regulated by the Scottish Housing Regulator and the Care Inspectorate. The financial objective of Viewpoint is to preserve the real value of the assets over the long term through the generation of a total return from both income and capital growth whilst meeting its short term obligations.

The Charity's Aim

The Association will invest an appropriate amount of any surplus cash up to a maximum of £8m giving consideration to the current rate of interest and the level of inflation. The aim of the investments is to preserve the real value of the assets over the long term.

The Association will appoint an investment manager to manage the long term assets on a discretionary basis. This requires the investment manager to make the day to day decisions regarding investments within the portfolio with the Association setting out the overall objectives and parameters.

Investment Objectives and Attitude to Risk

The Fund needs to produce the best financial return within an acceptable level of risk, whilst at the same time, growing the real value of the assets over time.

The Association understands that, in order to mitigate inflation risk over the long term, it is likely that the underlying investments will include assets such as equities and that in the short-term the capital value may be volatile. The Association will give close consideration to the overall reserves and funding sources of the organisation, as well as short term and long term spending plans and identify assets that would be appropriate to place with the investment manager for the long term. As such, the Association has indicated that it is willing to tolerate volatility in the capital over the short term in order to generate sound long term total returns above inflation.

The assets can be invested widely and should be diversified by asset class, geographical spread, investment vehicle (units vs investment trust), investment manager, sector, and security. Assets may be invested directly or via collective investment vehicles in each asset class, as deemed appropriate through time by the investment manager.

The Association will agree a suitable asset allocation strategy with the investment manager which looks to achieve the overall Fund's investment objectives as stated above. Whilst the Association recognises the need to accept some short term volatility, it would still like to adopt a relatively cautious strategy. As a long-term guide, the Trustees would not want to have more than 50% of the portfolio invested in equities, with the balance of the investments allocated to assets classes with lower levels of volatility.

The Association will measure the performance of the portfolio relative to a benchmark which will be agreed with the investment manager and also against inflation, in the longer term. Performance will be calculated against the benchmark on a quarterly basis and assessed over the long-term.

Ethical Considerations

The Association has advised that it is important that the holdings within the portfolio are sensitive to the objectives and mission of Viewpoint. The Association is committed to conducting its financial affairs in a responsible manner consistent with the ethical obligations of stewardship and relevant legal requirements.

The Association acknowledges that exclusion of any companies is not possible when investing through pooled funds, although consideration will be given to the underlying holdings in any such collective fund, at the time of purchase and periodically so that any substantial exposures may be identified and appropriate action taken.

The Association may see fit to exclude other areas from the investment portfolio in the future and they will inform the investment managers of any changes to the ethical policy.

Credit

Any cash balances held by the investment managers should be deposited with suitable institutions with at least an "A-" investment grade credit rating or better. Similarly, any fixed interest exposure should be primarily focused on investment grade issuers.

Liquidity Requirements

The Association requested that these funds are to be invested for the long term. The Association will give as much notice as possible should any funds be required from the investment portfolio.

Time Horizon

The Fund is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure its sustainability over the long-term. The Association can therefore adopt a long-term investment time horizon (in excess of 10 years).

Management Reporting and Monitoring

The Association will appoint an investment manager through a competitive tendering process to manage the portfolio on a Discretionary basis in line with this policy. This engagement will be for a period of three years and will be reviewed at the end of each three year period. The investment manager should provide custody of assets via its nominee arrangements as authorised and monitored by the Financial Conduct Authority. The investment manager will be required to produce a valuation and performance report on a quarterly basis as well as a consolidated tax voucher at the Association's year end on the 31st of March, detailing any tax liabilities associated with the investments. The investment manager should take instruction from the authorised signatories as indicated to them. The investment manager is required to present in person to the Association on at least an annual basis on the progress of the investments. This report should include a review of asset allocation, strategy performance, risk profile and consistency with the long term investment objects.

Approval and Review

This Investment Policy Statement has been prepared by the Association to provide a framework for the management of the long-term invested assets. It will be reviewed on a regular basis to ensure its continuing appropriateness.

Signed on behalf of the Viewpoint

Date: __________________________