GROUP TREASURY MANAGEMENT POLICY

This document can also be provided in large print, braille, audio or other non-written format, and in a variety of languages

HAPPY TO TRANSLATE

Last reviewed – August 2026 Version:3.1

Approval body	Caledonia Management Board
Date of approval	August 2026
Date of next policy review	August 2029
Customer engagement required (Yes/No)	No
Your Voice engagement required (Yes / No)	No
Equality Impact Initial Assessment completed (Yes / No)	Yes
Full Equality Impact Assessment required (Yes / No)	No
Data Protection Risks Assessed (Yes / No / N/a)	No
Health and Safety Risks Assessed (Yes / No / N/a)	No
Sustainability Impacts Assessed (Yes / No / N/a)	No
Procedures Updated (Yes / No)	Yes
Date Procedures Last Reviewed	August 2022
Data Impacts / IT System Changes Assessed (Yes / No)	Yes
Training Needs Assessed (Yes / No / N/a)	No
Previous Policy Version	3.0
New Policy Version	3.1

Equality Impact ~ Initial Assessment

1. People responsible for carrying out this assessment	
Policy Owner:	Director of Finance (DoF)
EQIA Assessor(s):	Director of People & Governance
Name of Policy:	Treasury Management policy
Date of last EQIA:	-

2. Purpose, aim(s) and expected outcomes (including who will benefit):

EQIA Guidance

3. Is there a direct impact on people, or how the service is delivered?

No

4. Potential impact on diverse communities, customers or groups?

No

5. Is there a Positive or Negative impact?

Positive ☐ Negative ☐ Neutral ☒	Which groups does it impact?	No specific groups identified. The policy applies to the Group's internal treasury management, governance and financial control arrangements and does not directly affect access to housing, housing services, employment opportunities or decision-making affecting individuals or protected groups

6. Details of any engagement activities carried out

No specific consultation or engagement activities were undertaken. The policy relates to internal financial management and governance arrangements and has no direct impact on service delivery or customers. The review considered regulatory requirements and treasury management best practice.

7. Overall Impact Rating

Material impact ☐ Non-material impact ☒

8. Initial Assessment Findings and Recommendation

Initial Assessment Only ☒	Full EQIA Required ☐

9. Reason(s) for Recommendation

The Treasury Management Policy governs the management of borrowing, investments, liquidity and treasury risk. The policy relates to internal governance and financial management arrangements and does not directly affect tenants, applicants, customers or service delivery. No adverse impacts have been identified in relation to any protected characteristic, and a full Equality Impact Assessment is not required.	
Date of Initial Assessment	29th July 2026

Contents

1. Introduction

1.1. Purpose of the Policy

1.1.1. This Treasury Management Policy sets out the framework through which the Group manages its borrowing, investments, cash resources and treasury-related risks to ensure that it maintains long-term financial viability, protects tenants' and stakeholders' interests, and has sufficient resources available to deliver high-quality housing services, meet regulatory obligations and support investment in existing and new homes.

1.1.2. This policy establishes clear principles, responsibilities and controls for treasury management activities, ensuring that funding and investment decisions are undertaken in a prudent, transparent and risk-aware manner.

1.1.3. It supports compliance with the expectations of the Scottish Housing Regulator, promotes effective governance and financial management, and helps ensure that treasury activities contribute to the achievement of the Group's strategic objectives and approved 5-year business plan.

1.2. Scope of the Policy

1.2.1. This policy applies to all treasury management activities undertaken across Caledonia Housing Group, including Caledonia Housing Association and Cordale Housing Association. It covers the management of borrowing, investments, cash flow, banking arrangements, liquidity, refinancing, covenant compliance and treasury-related risks.

1.2.2. The policy applies to Governing Body members, the Audit & Risk Management Committee, the Director of Finance (DoF), and all employees involved in, or responsible for, treasury management activities, decision-making, oversight and reporting.

2. Principles, Aims and Objectives

2.1. Policy Objectives

2.1.1. The objective of this policy is to support the Group's going concern, and long-term financial resilience, by ensuring that treasury management activities are undertaken in a prudent, effective and well-governed manner.

2.1.2. The policy seeks to secure funding on appropriate terms, maintain adequate liquidity, safeguard cash and other financial assets, manage exposure to treasury risks, and ensure ongoing compliance with lender and regulatory requirements. In doing so, it provides a framework that enables the Group to deliver its strategic objectives, maintain financial capacity to invest in homes and services, and protect the interests of tenants and other stakeholders.

2.1.3. This policy sets out for each identified risk area, the scope of each risk, and the approach to measuring and mitigating each risk.

2.2. Legislative and Regulatory Context

2.2.1. The Group's Treasury Management Policy has been developed in accordance with the CIPFA Treasury Management Code of Practice (as amended from time to time) and reflects the requirements and expectations of the Scottish Housing Regulator's Regulatory Framework and Standards of Governance and Financial Management.

2.2.2. This policy supports compliance with the Scottish Housing Regulator's Standards of Governance and Financial Management by promoting prudent financial planning, effective treasury risk management, robust internal controls, informed decision-making and the maintenance of the Group's financial well-being and resilience.

2.2.3. This policy supports compliance with the Scottish Housing Regulator's Standards of Governance and Financial Management, particularly Standard 3 (effective risk management and internal controls), Standard 4 (governing body responsibility for financial planning and management) and Standard 13 (financial viability, budgeting and management of resources).

2.2.4. Treasury management arrangements established through this policy are intended to provide assurance that the Group maintains financial resilience, effective oversight of treasury risks and sufficient resources to deliver its strategic objectives and obligations to tenants.

2.2.5. The policy also supports compliance with relevant legislation and regulatory obligations applicable to Registered Social Landlords in Scotland, including the Housing (Scotland) Act 2010, the Co-operative and Community Benefit Societies Act 2014 (where applicable), the Charities and Trustee Investment (Scotland) Act 2005 and relevant anti-money laundering legislation.

2.2.6. In implementing this policy, the Group will also have regard to its obligations under the Equality Act 2010 and the Human Rights Act 1998.

3. Definitions

3.1. Key Terms

3.1.1. **Caledonia Housing Group:** referred to as the ‘Group’ in this document, comprises Caledonia Housing Association and Cordale Housing Association.

3.1.2. **Financial Covenant:** A financial performance requirement contained within a loan agreement that the Group must comply with throughout the life of the facility. Covenants may include interest cover, gearing, asset cover or other financial metrics. Failure to comply may constitute an event of default.

3.1.3. **Governing Body:** means the Management Board of Caledonia Housing Association and the Management Committee of Cordale Housing Association, or any successor body with ultimate governance responsibility.

3.1.4. **Liquidity:** The availability of cash, deposits, undrawn facilities and other readily accessible funding resources sufficient to meet operational, capital and financing obligations as they fall due.

3.1.5. **Notifiable Event:** An event or issue that may require to be reported to the Scottish Housing Regulator in accordance with its Notifiable Events guidance due to its potential impact on governance, financial viability or regulatory compliance.

3.1.6. **Treasury Management:** the Group defines its treasury management activities as the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3.1.7. **Treasury Management Strategy:** The annual document approved by the Governing Body which sets out the Group's treasury objectives, funding requirements, risk position, liquidity arrangements and planned treasury activities for the forthcoming period.

3.1.8. **Treasury Risk Register:** Documented within the overall Group Risk Register, used to record, assess, monitor and manage treasury-related risks, including mitigating actions, controls, risk ownership and assurance arrangements.

4. Policy Statement

4.1. Core Principles and Standards

4.1.1. The Governing Body has a low-risk appetite for treasury management activities. Treasury management decisions shall support the long-term financial viability and sustainability of the Group and shall be informed by the approved 5-year Financial Plan, associated sensitivity analysis and stress-testing assumptions. Treasury activities shall prioritise liquidity, covenant compliance, protection of assets, financial resilience and funding certainty over the pursuit of investment returns, ensuring that the interests of tenants and other stakeholders are safeguarded at all times.

4.1.2. The Group will invest surplus cash prudently, with the preservation of capital and maintenance of liquidity taking precedence over the pursuit of investment returns. Investment decisions will therefore be based on minimising risk and safeguarding the Group's financial resources. Given the scale of the current development programme, cash holdings are primarily maintained to ensure adequate liquidity and funding capacity rather than to generate investment income.

4.1.3. The Group's Corporate Risk Register is used to identify, assess and monitor treasury-related risks. This ensures that risks affecting financial resilience, business plan delivery, strategic objectives or regulatory compliance are subject to appropriate oversight, review and reporting.

4.1.4. The Group's Corporate Risk Register is reviewed by the Audit & Risk Management Committee quarterly, with material changes reported to the Governing

Body as they arise, and a comprehensive annual review reported to the Governing Body at least once each year.

5. Roles and Responsibilities

5.1. Implementation Responsibilities

5.1.1. The Group's treasury management framework is based on clear accountability, effective oversight and delegated authority.

5.1.2. The roles and responsibilities outlined below are supported by the Group's formal Scheme of Delegation, which is set out in Appendix 1. The Scheme of Delegation establishes clear lines of accountability for treasury management activities, specifying those matters reserved to the Governing Body and those delegated to the Audit & Risk Management Committee, DoF and other authorised officers.

5.1.3. This ensures that treasury decisions are taken at the appropriate level, that effective oversight and challenge are maintained, and that day-to-day treasury operations can be managed efficiently within an approved governance framework. While specific operational responsibilities may be delegated, ultimate accountability for treasury management and the stewardship of the Group's financial resources remains with the Governing Body.

Governing Body

5.1.4. The Governing Body has ultimate responsibility for treasury management and financial stewardship within the Group. It approves the Treasury Management Policy, the Annual Treasury Management Strategy and all new borrowing arrangements, while ensuring that treasury activities support the delivery of the Group's Business Plan, maintain financial viability and comply with regulatory and lender requirements.

Audit & Risk Management Committee

5.1.5. The Audit & Risk Management Committee provides detailed oversight and scrutiny of treasury management risks, controls and assurance arrangements on behalf of the Governing Body. It reviews the Group Risk Register, receives reports on key treasury risks and compliance matters, and provides assurance that treasury management activities are being conducted in accordance with approved policies and good governance practices.

Director of Finance (DoF)

5.1.6. The DoF is responsible for the day-to-day management and implementation of the Group's treasury activities. This includes managing borrowing, investments, liquidity, cash flow forecasting, covenant compliance and lender relationships, while ensuring that treasury risks are appropriately monitored and reported.

The DoF also provides regular advice and assurance to the Governing Body and Audit & Risk Management Committee and leads the preparation of treasury strategies and reports.

5.1.7. In accordance with the CIPFA Code, the DoF will prepare for the approval of the Governing Body an annual report on the strategy and plan to be pursued in the coming financial year.

5.1.8. In preparing such a report, the DoF will have due regard for:

- The aggregate of all funds, borrowings and accounts operated by the Group
- The maintenance of the Group's financial stability and its ability to meet its short and long-term financial obligations
- The Group's desire to meet its business plan objectives and service requirements
- The prevailing economic circumstances and forecasts.
- The key treasury risks facing the Associations within the Group

Chief Executive

5.1.9. The Chief Executive provides strategic oversight and works alongside the DoF on significant treasury matters. The Chief Executive is informed of any material treasury risks, policy breaches or liquidity concerns and supports the implementation of any required corrective actions. In the absence of the DoF, the Chief Executive may undertake delegated treasury responsibilities where appropriate.

Treasury and Professional Advisors

5.1.10. The Group may engage external treasury advisers and other professional advisers to provide independent specialist advice, market intelligence and technical expertise. Their role is to support informed decision-making and effective risk management; however, responsibility for treasury decisions remains with the Group's Governing Body and authorised officers.

Employees Involved in Treasury Activities

5.1.11. Employees involved in treasury management must operate in accordance with this policy, the Group's Financial Regulations and related control frameworks. They are responsible for maintaining effective internal controls, complying with delegated authorities and promptly reporting any treasury-related risks, concerns or breaches.

5.1.12. The Group recognises that effective treasury management oversight depends upon the knowledge, skills and competence of Governing Body members and relevant officers.

5.1.13. Members of the Governing Body, Audit & Risk Management Committee and officers with treasury management responsibilities shall receive appropriate training and development to enable them to discharge their duties effectively and to provide informed scrutiny and challenge of treasury management activities.

5.1.14. Treasury training requirements shall be assessed periodically and whenever there is a significant change in treasury activities, financing arrangements, regulatory requirements or governing body membership.

5.1.15. New Governing Body and Audit & Risk Management Committee members shall receive appropriate induction training covering the Group's treasury management arrangements, key treasury risks, borrowing structure, covenant compliance obligations and responsibilities under this Policy.

5.1.16. Refresher training and development opportunities shall be provided periodically to ensure knowledge remains current and proportionate to the complexity of the Group's treasury activities.

5.1.17. Records of treasury management training undertaken by Governing Body members and relevant officers shall be maintained and reported to the Governing Body or Audit & Risk Management Committee as appropriate.

5.1.18. As part of its annual assurance processes, the Governing Body shall satisfy itself that it has access to sufficient treasury expertise, training and independent professional advice to support effective decision-making and oversight of treasury management activities.

5.1.19. The Governing Body may delegate its responsibilities under this policy to the Audit & Risk Management Committee or a formally constituted Board working group. The Governing Body will however retain ultimate responsibility for approving any new borrowing facilities.

5.1.20. Each Association in the Group recognises the importance of appropriate levels of clarity and segregation of responsibilities for treasury activities. Accordingly, the scheme of delegation for the operation of the Treasury Management Policy is set out in Appendix 1.

5.2. Monitoring and Enforcement

5.2.1. The Governing Body has overall responsibility for ensuring compliance with this policy and for receiving assurance that treasury management activities are being conducted in a prudent, effective and compliant manner.

5.2.2. The Audit & Risk Management Committee is responsible for scrutinising treasury risks, controls and compliance arrangements, including review of the Treasury Risk Register and relevant assurance reports.

5.2.3. The DoF is responsible for monitoring day-to-day compliance with the policy, reporting treasury performance, risks and exceptions, and ensuring that appropriate controls, procedures and reporting arrangements are maintained.

5.2.4. Internal Audit may periodically review treasury management arrangements as part of the Group's assurance framework, with findings reported to the Audit & Risk Management Committee and Governing Body.

5.2.5. Any material breaches of this policy, lender requirements or regulatory obligations will be reported promptly through the Group's governance structure, with corrective actions identified and implemented as appropriate.

6. Procedures

6.1. Process Overview

6.1.1. The processes set out in this section establish the framework through which treasury risks are identified, assessed, monitored and controlled. They also define the key controls, limits and reporting arrangements that support effective decision-making, regulatory compliance and the protection of the Group's financial resources.

6.1.2. Treasury activities will be undertaken in accordance with the principles set out in this policy, the approved Treasury Management Strategy, and the delegated authorities established by the Governing Body.

Liquidity Risk Management

6.1.3. Liquidity risk is defined as the risk the cash will not be available when it is needed, or that ineffective management of cash flow creates additional unbudgeted costs (in the form of additional interest charges or penalties) for the Group.

6.1.4. Liquid resources for the Caledonia Group are defined as:

- Cash and current account balances
- Other bank deposits
- Bank overdraft facilities
- Other readily realisable investments
- Committed financing facilities, where these facilities are fully charged and available for drawdown on request or at an agreed date which is within the period of the liquidity assessment.

6.1.5. Each Association in the Group will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it, at all times, to have the level of funds that are necessary for the achievement of its business plan objectives.

6.1.6. The Group will only borrow in advance of need where there is a clear business case for doing so to fund the current capital programme or to finance future debt maturities.

6.1.7. It is intended that each member Association within the Group will maintain at all times cash balances equivalent to at least 3 months' expected cash flow from operating activities.

6.1.8. The minimum cash requirement shall be reviewed annually as part of business planning and treasury strategy approval.

6.1.9. The minimum cash requirement is intended to provide a measure of protection against short term 'shocks' to the Associations' operating income and / or operating costs. (These limits are calculated as £2.6m for Caledonia and £350,000 for Cordale). For the purposes of this test, cash balances will include any overdraft facilities and fully secured undrawn revolving credit facilities.

6.1.10. Cash balances will be reviewed and monitored on a weekly basis by the DoF and reported to the Governing Body within quarterly management accounts. Any breaches of liquidity limits will be reported immediately upon identification to the Chief Executive. The DoF and Chief Executive will agree any immediate actions following a breach and will notify any material breaches to the Governing Body.

6.1.11. Each Association will also ensure that, at all times, it has access to sufficient funding sources to meet its capital commitments (development and refinancing) for the subsequent 18-month period.

6.1.12. This liquidity assessment will be performed by the DoF as part of any proposed capital investment project. The medium-term liquidity position will also be reported as part of the quarterly management accounts pack.

6.1.13. As part of this assessment, the DoF will ensure that any lender with which the Group has undrawn liquidity has a minimum long-term credit rating which meets the minimum requirements set out in appendix 2 of this policy. Undrawn loans with counterparties falling below these thresholds will be discounted for the purposes of our liquidity assessment.

6.1.14. The DoF will ensure that appropriate procedures are maintained and implemented as follows:

- Regular monitoring of cleared bank balances;
- Effective cash flow forecasting and monitoring to identify potential shortfalls against available facilities;
- Diversifying risk by spreading available facilities through different counterparties;
- Minimising borrowings by only drawing down funds when required and repaying when cash is available and it is beneficial to do so (for example through the use of revolving facilities).

Interest Rate and Inflation Risk Management

6.1.15. Interest rate risk is defined as the risk that fluctuations in the levels of interest rates create unexpected or unbudgeted stresses on the Group's finances. Inflation risk is defined as the risk that level of inflation within the economy or the sector impacts the overall costs of funding and/or impacts the level of funding required to support business plan objectives.

6.1.16. The Group will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with its approved budget. The effects of varying levels of inflation, insofar as they can be identified as impacting on treasury management activities, will be assessed as part of the annual budget setting and stress testing, which will seek to assess and mitigate risk.

6.1.17. The Group will adopt a relatively risk-averse policy on interest rate management and should favour fixing interest rates whenever the financial and economic conditions are suitable.

6.1.18. However, the proportions of fixed and variable rate loans will depend on the projected cash flows of the assets being funded and the general liquidity of the Association. In addition, factors such as current interest rates compared to historical trend, estimates for future interest rate movements and the impact of interest rate movements on the revenue account will also be considered. These factors will be reviewed annually and will determine any change in policy regarding interest rate exposure.

6.1.19. The Governing Body will regularly review the broad parameters regarding the acceptable proportions of fixed and variable rate loans which is currently expressed as follows:

- No more than 50% of the Groups drawn loan portfolio may be on variable rate terms.

6.1.20. It is the responsibility of the DoF to bring forward recommendations to the Governing Body at the appropriate time should it be necessary to consider any alteration to these parameters and it remains the responsibility of the DoF at all times to operate within the agreed parameters.

6.1.21. The DoF will maintain responsibility for monitoring current and forecast levels of interest rates and inflation and reporting on this to the Governing Body. The DoF will also assess the impact of inflation and interest rates on each Association and report on exceptions to budget through the quarterly management accounts pack.

6.1.22. The proportions of fixed and variable rate debt will be reported to the Governing Body at least annually as part of the budget setting and regulatory reporting processes, with more regular reporting as agreed on an exceptions basis.

6.1.23. The Group will maintain a prudent approach to its budget setting processes allowing for adverse movements in interest rates and inflation and maintaining an appropriate planning buffer to withstand economic shocks.

6.1.24. The use of derivatives to manage interest rate risk is addressed later in this policy.

Investment (Counterparty Risk Management)

6.1.25. The Group defines this risk as the possibility of a reduction in the value of realisable investments or deposits due to the failure of a counterparty, resulting in a detrimental effect on the Group's resources.

6.1.26. Each Association within the Group considers the security of the principal sums invested or placed on deposit to be a primary objective of this policy. Accordingly, it will maintain counterparty limits and approved counterparty lists that reflect a prudent approach to the selection of institutions with which funds may be deposited. Investment activities will be restricted to counterparties, instruments and exposure limits approved under this policy and set out within this section.

6.1.27. As a general rule, the Group will pursue a diversification policy (i.e. spread the investments and investment risk amongst a number of qualifying counterparties) with high credit quality counterparties.

6.1.28. The DoF will continuously monitor the credit quality of all counterparties, formally reviewing on a quarterly basis. If the credit rating of a counterparty is downgraded below the minimum requirement set out in this policy, then this will be reported to the Governing Body on an exception basis with appropriate recommendations. The security and protection of assets, including cash and deposits, is the principal objective of our Investment Strategy.

6.1.29. Where counterparty credit ratings are not available, the Group will consider other sources of generally available market information, including the financial press, market data including credit default swap (CDS) and information on government support for banks, in assessing counterparty risk.

6.1.30. In assessing investment counterparties and treasury deposits, the Group will also consider environmental, social and governance (ESG), climate-related and reputational risks alongside financial, regulatory and creditworthiness assessments. These considerations will not override the primary objectives of security and liquidity but will form part of the overall counterparty appraisal process.

6.1.31. The Associations recognise the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations to which it may place deposits and investments. The investment (deposit) Counterparty Requirements are set out in the table below.

Exposure	Credit rating requirement	Permitted term	Maximum Exposure Amount per Counterparty	Other
Short term deposits	Upper medium grade as a minimum (see appendix for definitions)	Up to 6 months	£5m or 50% of total funds invested, whichever is greater	Short term deposits with the associations main clearing bank may represents up to 100% of total deposits, up to a maximum of £10m
Medium term deposits	Upper medium grade as a minimum	6 to 24 months	£5m or 50% of total funds invested, whichever is greater	50% limit on medium term deposits applies to the Association's clearing bank. Total short and medium term deposits with the Association's clearing bank should not exceed £10m without the express approval of the Governing Body.

Exposure	Credit rating requirement	Permitted term	Maximum Exposure Amount per Counterparty	Other
Sterling denominated money market funds (MMFs)	High grade as a minimum		£5m or 50% whichever is the lower.	The investment in any MMF must not be more than 10% of the MMF's total Assets Under Management

6.1.32. The Group will maintain a list of Approved Counterparties reflecting the above criteria. Both the list and the criteria itself will be reviewed on an annual basis as part of the annual treasury strategy but more frequently as market conditions require.

6.1.33. As with other exceptions to this Policy, counterparties that no longer meet these criteria will be reported to the Governing Body along with a risk assessment of the potential impact on the Group's risk management policy in relation to financial counterparties.

6.1.34. The Governing Body may approve the use of a counterparty outside of the permitted criteria where a business case has been presented by the DoF, and this is believed to be in the best interests of the Group.

Refinancing Risk Management

6.1.35. This risk relates to the potential inability to refinance maturing borrowings on terms aligned with business plan assumptions, or where changing market conditions result in more onerous covenant or security requirements from lenders, increasing the likelihood of covenant breaches without mitigating actions.

6.1.36. The Group will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, with a view to obtaining offer terms for renewal or refinancing, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time. It will actively manage its relationships with other parties in these transactions in such a manner as to secure this objective and will avoid over reliance on any one source of funding.

6.1.37. The DoF will report at least annually to the Governing Body

- A treasury report, detailing any borrowings scheduled to mature within the next three years, and identifying plans or range of opportunities available to the Group to refinance those borrowings.
- A Treasury strategy proposal, to ensure plans are in place to meet any unfunded refinancing obligations within 18 months of those obligations maturing.

6.1.38. The DoF will ensure that

- borrowings maturing within the next 18 months are capable of being re-financed from existing undrawn and fully secured facilities.
- debt maturing within 5 years is no more than 50% of total drawn and undrawn secured facilities, without prior approval from the Governing Body.
- the value of unencumbered assets plus the value of security to be released within 6 months is sufficient to satisfy security requirements for the next 18 months.
- the responsibilities for assessing and managing refinancing risks are discharged through:

  - The production of an annual treasury report and action plan
  - The completion of annual budgeting processes which will assess and confirm that all necessary funding will be in place over the life of the business plan, including plans to close any funding gaps in later years of the plan
  - Regular discussions with lenders and treasury advisers to assess market conditions for refinancing, particularly with respect to both margins and covenant requirements.

Legal and Regulatory Risk Management

6.1.39. This is the risk that Associations within the Group fail to operate within legal powers, regulatory requirements or the Group's internal governance framework.

6.1.40. Each Association in the Group 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.

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

6.1.42. Each Association will meet its reporting obligations in respect of its treasury operations including:

- The completion and timely reporting of the annual loan portfolio return to SHR and any necessary in-year returns.
- Quarterly and annual reporting to lenders as required under the terms of the relevant lending facility agreements.

6.1.43. The DoF will:

- maintain regular dialogue with the Group's lenders and lead the management of these relationships.
- be responsible for meeting all regulatory returns and will ensure that those are subject to scrutiny and approval prior to submission by the Audit & Risk Management Committee.

Operational risk, including fraud, error and corruption

6.1.44. This risk is defined as the potential for direct or indirect loss arising from inadequate or failed internal processes, people, systems, or external events. It includes the risk of fraud, error, misconduct, or corruption occurring in the course of treasury management activities and transactions.

6.1.45. Each Association in the Group will ensure that it has taken all reasonable precautions to limit its exposure to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings.

6.1.46. Accordingly, it will employ suitable systems and procedures to these ends.

6.1.47. The Group recognises the increasing risk of cyber-enabled fraud affecting treasury management activities, including payment diversion fraud, mandate fraud, phishing attacks, business email compromise and other forms of electronic financial crime.

6.1.48. Appropriate controls shall be maintained to mitigate these risks, including segregation of duties, independent verification of changes to bank account details, dual authorisation of payments, secure banking arrangements, staff awareness training and compliance with the Group's Information Security and Cyber Security arrangements.

6.1.49. Any actual or suspected cyber-related treasury incidents shall be reported and investigated in accordance with the Group's incident management and fraud reporting procedures.

6.1.50. Any instances of fraud (including near miss events) will be recorded in the relevant Association's fraud register which is subject to at least annual inspection by the Association Chair.

6.1.51. The DoF has a responsibility to advise the Chief Executive in the first instance of any material errors or losses within the treasury management process.

6.1.52. The Audit & Risk Management Committee will ensure that it receives assurance within the 3-year rolling internal audit programme on key treasury risks and risk management.

6.1.53. The risks and subsequent mitigation associated with treasury management will be assessed and controlled with reference to the undernoted policies and procedures:

- Group Risk Management Policy
- Group Anti-Fraud Policy
- Group Financial Regulations
- Group Insurance Crime Policy

Covenant Compliance Risk

6.1.54. This is defined as the risk that the Group fails to comply with the financial covenant commitments documented within each lender's facility agreement. Failure to comply with financial covenants could have material adverse consequences for Associations including margin increases and the possible termination of facility agreements, which would also likely attract regulatory scrutiny.

6.1.55. Financial covenants typically fall into three principal categories:

- A requirement to pledge and maintain an agreed level of security with each lender.
- A gearing test which sets a maximum proportion of debt to assets which each Association cannot exceed.
- An interest cover test whereby each Association is required to demonstrate that the annual net cash inflows from operating activities exceed the annual interest payments by an agreed margin.

6.1.56. Whilst industry standards around the calculation and quantification of these covenant tests have converged in recent times, the Associations must continue to comply with a wide range of covenant tests which are documented within legacy loan agreements.

6.1.57. The Group has no risk tolerance for any breach of financial covenants given the potential adverse consequences.

6.1.58. It is the Group's policy therefore to set and monitor the Associations' budgets with a view to achieving compliance with these covenants at all times, including an internal margin (or headroom) of an additional 10 percentage points on the tightest interest cover test.

6.1.59. An internal gearing limit is also established which is at least 2 percentage points tighter than our tightest lending covenant.

6.1.60. The Group will also ensure that sufficient, but not excessive, security is pledged against each facility and that sufficient security is in place to support any undrawn facilities likely to be required within 18 months.

6.1.61. It is typically the case that lenders will formally test financial covenants annually, but monitor these on a quarterly basis. The security covenant is typically tested via a full independent property valuation on a 3 or 5 yearly cycle with annual desktop valuations required by some lenders in the interim years.

6.1.62. The Association's management accounts, which are produced on a quarterly basis, contain the quarterly calculations of our interest cover and gearing tests which are compared against internal targets (which are tighter than the lender's strictest requirement). It is the responsibility of the DoF to present the management accounts to the governing bodies and to the lenders on a quarterly basis and to highlight any key risks.

6.1.63. Annual covenant compliance certificates are also produced and signed by the DoF following completion of the annual external audit. The DoF will also ensure the accurate reporting of covenants within the annual Loan Portfolio Return for each Association.

6.1.64. Detailed schedules are maintained by the DoF as to the detail of security pledged with each lender as well as those units which are currently unencumbered. The Group will always maintain a minimum of 3% (units) of properties as unencumbered stock.

6.1.65. This risk is managed and mitigated through the following processes:

- Annual budget setting and longer-term stress testing
- The production and presentation of quarterly management accounts including identification of risks and mitigating actions
- Regular engagement with lenders on financial performance
- Completion of 1, 3 or 5 yearly valuation exercises and consideration of security situation (including discharging any excess security where this is >110% of the required pledge).

Approved Methods of Raising Loan Finance

6.1.66. The DoF, in conjunction with the Chief Executive, undertakes on its behalf the borrowing activities of the Group; however, all borrowing is subject to the approval of the Governing Bodies.

6.1.67. Loan finance will typically be raised on a programme basis rather than on a project by project basis. The amount of finance required will, under normal circumstances, depend on future capital expenditure requirements and anticipated levels of grant from the Scottish Government, Local Authorities or other bodies, or the requirement to re-finance existing debt.

6.1.68. The DoF will prepare a report for the Governing Body for each proposed capital borrowing. The report will include, as a minimum:

- Proposed lender, including credit assessments
- The term of the borrowings, including any agreed drawdown period or dates
- Interest rate structure, including lender's margin
- Arrangement fees and other associated costs
- Details of financial covenants and security requirements

- An objective comparison against alternative funding sources
- Confirmation of compliance with the Group Treasury Management Policy

6.1.69. In all cases, the loan finance will be subject to the following parameters:

- Security given to any lender should be granted by way of allocation of units from the Security Trust or identifiable assets secured directly to the lender.
- The Association's gearing ratio (i.e. outstanding loans as a proportion of the original cost of housing assets) should not exceed existing or proposed lending covenants.
- Variable interest rates will be based on a margin over SONIA (measured over 1,3 or 6 months)
- The term of each loan will be within a range of five to forty years, unless an exception to this can be demonstrated to be in the best interests of the Association.

6.1.70. Interest rate options (including fixed rate options, caps and collars) can be agreed in accordance with the Association's Rules and specifically approved by the Governing Body.

Approved Sources of Finance

6.1.71. In order to eliminate exchange rate risk, all borrowing should be in sterling. In securing loan finance, each Association is permitted to borrow from the following institutions:

- UK Clearing Banks
- UK Building Societies
- European Investment Bank
- UK registered bond aggregators
- UK registered Pensions and Insurance Companies

6.1.72. Where funding is to be organised via private placement, the investor target list will be compiled in conjunction with a suitably qualified third party ('the Arranger') and may be extended to include institutional investors based in the US or Canada. For the avoidance of doubt, the Association may make subsequent borrowings from institutions which have provided previous funding via a private placement, subject always to the approval of the Governing Body which will consider both value for money and concentration risks.

6.1.73. The DoF is responsible for closely monitoring the terms and conditions offered by counterparties. Where the DoF has reason to believe that counterparty's standing is or may become impaired, the Governing Body will be notified at its next meeting.

6.1.74. In considering any new lending counterparties the Group will have regard to each counterparty's sustainability credentials and any material ESG, climate-related or reputational risks as part of the assessment exercise.

6.1.75. The overriding borrowing limit for each Association in the Group, will be in accordance with its Rules.

Treasury and Professional Advisors

6.1.76. The Group recognises that treasury management is a specialist area requiring access to independent professional advice and market expertise. The Group may therefore appoint suitably qualified external treasury advisers, legal advisers, valuers, security consultants and other professional advisers to support treasury management activities, financing transactions, refinancing exercises, investment decisions and related treasury matters.

6.1.77. The appointment of treasury advisers and other professional advisers shall comply with the Group's Procurement Policy, Financial Regulations and delegated authority framework. Where applicable, procurement exercises shall also comply with all relevant legislative and regulatory requirements and demonstrate value for money, transparency, fairness and appropriate governance.

6.1.78. The selection process for treasury advisers shall consider, as appropriate:

- Relevant experience within the UK social housing sector;
- Professional qualifications and technical expertise;
- Knowledge of treasury markets and lender requirements;
- Capacity and resources to support the Group's treasury activities;
- Independence and management of actual or potential conflicts of interest;
- Quality of reporting and training services;
- Fee structure and overall value for money;
- Understanding of regulatory and governance requirements applicable to Registered Social Landlords.

6.1.79. The DoF shall be responsible for managing relationships with treasury advisers and ensuring that the scope of services remains appropriate to the Group's requirements. Adviser performance shall be reviewed periodically and reported to the Audit & Risk Management Committee as appropriate.

6.1.80. The Group will ensure that treasury advisers operate independently and provide objective advice. Any actual, potential or perceived conflicts of interest shall be identified and managed appropriately. Advisers must disclose any relationships that could reasonably be regarded as affecting their independence in relation to the Group's treasury activities.

6.1.81. Whilst professional advice may be obtained from external advisers, responsibility for treasury management decisions remains with the Governing Body and officers acting under delegated authority. The Group shall not rely solely upon adviser recommendations and will ensure that all significant treasury decisions are subject to appropriate internal scrutiny, challenge and approval.

6.1.82. Where treasury advisers are engaged in connection with borrowing, refinancing, investment or derivative transactions, the Group shall seek to ensure that advice is obtained on a transparent and competitive basis and that adviser appointments comply with the Group's procurement requirements. Any material treasury procurement exercise shall be supported by appropriate documentation and audit trails demonstrating compliance with internal procurement procedures.

6.1.83. The Governing Body and Audit & Risk Management Committee shall receive sufficient information regarding the role of treasury advisers to obtain assurance that adviser appointments are appropriately procured, effectively managed and continue to provide value for money to the Group.

Derivatives and their use

6.1.84. Derivatives can be used by the Group provided they have adopted the appropriate rules and are restricted to Caps, Collars and Interest Rate Swaps. These may be used to reduce or manage treasury risk only and never for speculative purposes.

6.1.85. Any Association in the Group will only enter into interest rate or inflation linked derivatives denominated in sterling.

6.1.86. When an embedded option is available within a loan agreement, the Association may enter into Caps, Collars, index linked and Interest Rate Swaps provided all the following conditions are met:

- Speculative trading is not allowed. Derivatives must only be used to manage treasury risk and there must be an exposure against which the derivative can be matched.
- The Association will not enter into a derivative when the nominal amount is in excess of their total outstanding and committed debt.
- In the case of Forward Rate Agreements, loans do not have to be drawn down prior to a derivative being entered into, but there must be a loan commitment in place and an expectation backed up by a business plan projecting that debt will be drawn down to match the derivative that is to be entered into.

6.1.87. Free standing derivatives, also known as stand-alone derivatives, can be transacted with many recognised financial institutions whether the Association borrows from them or not. The derivatives that may be entered into are freestanding legal contracts and not embedded into any loan documentation. The transactions are normally subject to a standardised International Swaps and Derivatives Association (ISDA) master agreement between the parties.

6.1.88. The advantage of this approach is that the Association may possibly achieve finer pricing by being able to use the wider financial market rather than be restricted to a specific lender.

6.1.89. The Association may only enter into free-standing derivatives where all of the conditions set out above in relation to embedded derivatives have been met and the additional requirements set out below are also satisfied.

- A rule change will be necessary to allow the Association to enter into freestanding derivatives.
- Systems of reporting and control need to be in place so that the Association can demonstrate that it is not exposing itself to unnecessary risks by entering into derivative transactions.
- Legal advice is required before entering into an ISDA master agreement with a counterparty.

6.1.90. In any proposed derivative transaction, the Group will seek to obtain a minimum of two quotes from the appropriate counterparties and select the most competitive given the full range of the options presented. All pricing in derivatives transactions must be verified by a suitably qualified and experienced independent party and fully documented.

6.1.91. At the date of approval, the Group does not currently utilise standalone derivative instruments. The DoF shall maintain a register of all derivative exposures, including embedded derivative features where present.

Legal Matters

6.1.92. Prior to entering any borrowing or investment transactions, it is the responsibility of the DoF to ensure, by reference to the Group's legal advisors, that the proposed transaction does not breach any statute, external regulation or the Group's Financial Regulations.

6.1.93. The DoF is the officer responsible for monitoring compliance with the Money Laundering Regulations. Employees are required to report any suspicions of money laundering where the money is generated through criminal activity. Any such suspicions should be reported to the DoF in the first instance or, if necessary, directly to the Chair of the Audit & Risk Management Committee.

Reporting Arrangements

6.1.94. The DoF will prepare an annual Treasury Management Strategy report to the Governing Bodies which will contain information on Treasury Management activity since the previous report, including confirmation of compliance with this Policy, Treasury Golden Rules and Triggers, key treasury risks and mitigating actions, covenant compliance, and any matters relevant to the Governing Body's Annual Assurance Statement to the Scottish Housing Regulator.

6.1.95. The Annual Treasury Management Report shall provide sufficient information and assurance to enable the Governing Body to satisfy itself that treasury management activities are being conducted in accordance with this policy, support delivery of the approved Business Plan, and support the Governing Body's Annual Assurance Statement submission to the Scottish Housing Regulator.

6.1.96. The Annual Treasury Management Report shall include an explicit statement from the DoF confirming:

- compliance with this Treasury Management Policy;
- compliance with all lender covenant requirements during the reporting period;
- the adequacy of liquidity resources and committed funding facilities;
- the adequacy of security arrangements and availability of unencumbered assets;
- compliance with relevant requirements of the Scottish Housing Regulator's Standards of Governance and Financial Management; and
- the identification of any treasury-related assurance gaps, policy breaches, emerging risks or areas requiring further Governing Body attention.

6.1.97. Where any assurance cannot be provided in full, the report shall clearly identify the nature of the concern, the potential impact on the Group's financial position or regulatory compliance, and any mitigating actions being taken.

6.1.98. The DoF shall assess treasury management activities and risks on an ongoing basis and consult with the Chief Executive to determine whether any matter may require notification to the Scottish Housing Regulator under its Notifiable Events framework. Treasury-related events that may require consideration for notification include, but are not limited to:

- Actual or forecast breaches of lender covenants;
- Significant deterioration in liquidity or funding capacity;
- Failure or inability to secure funding required to support approved business plan commitments;
- Material refinancing risks or adverse lender actions;
- Significant treasury-related fraud, cyber incidents or financial losses;

- Serious weaknesses in treasury controls or governance arrangements; and
- Any other treasury-related matter which could reasonably be expected to have a material impact on the Group's financial viability, governance, regulatory compliance or reputation.

6.1.99. Breaches of Treasury Golden Rules, trigger levels or other internal treasury management limits do not automatically constitute a Notifiable Event. However, any such breach shall be investigated and assessed by the DoF and Chief Executive to determine whether the underlying circumstances may indicate a matter requiring notification to the Scottish Housing Regulator or reporting to the Governing Body.

6.1.100. The Annual Treasury Management Report will explicitly identify any treasury-related matters, risks, control weaknesses, covenant concerns, compliance issues or emerging risks which could affect the Governing Body's Annual Assurance Statement or give rise to obligations under the Scottish Housing Regulator's Notifiable Events framework.

6.1.101. Each Association's Annual Budget will include current and projected cash balances and will confirm the funding arrangements for the financial year. A quarterly cash position will be incorporated in the quarterly accounts submitted to the Governing Bodies during the course of the financial year.

6.1.102. Each Association's quarterly management accounts will contain information on covenant compliance and the Treasury Golden Rules and Triggers set out in Appendix 3.

6.2. Reference to Procedural Documents

6.2.1. The principles and requirements set out within this Policy are supported by a range of operational procedures, management reports and financial controls. These include the weekly monitoring and review of bank balances and liquidity positions, detailed development cash flow forecasts prepared to support investment planning and funding decisions, and quarterly cash flow forecasts reported through the Group's management accounts process.

6.2.2. These operational arrangements support the identification, monitoring and management of treasury risks, including liquidity, funding, refinancing and covenant compliance risks, and provide assurance to the Governing Body and Audit & Risk Management Committee regarding the Group's treasury position. Such procedures shall be maintained by the DoF and reviewed periodically to ensure they remain appropriate to the Group's activities and risk profile.

7. Compliance and Enforcement

We have a standard compliance statement: *It is important that all members of staff, in carrying out their duties for the Group, do so in accordance with the Group's policy framework. Our policy framework ensures we comply with laws and regulation, while giving guidance to inform operations and decision-making. Our policies have been designed to be clear and easy to understand and are available on our website and intranet. If any member of staff is unclear as to their responsibilities under this policy, then they should refer to their line manager and / or the policy author for further guidance. A failure to comply with Group policies can have serious consequences for the Group. Should an employee become concerned about serious non-compliance with the policy, they should speak to their line manager or refer to the guidance set out in the Group Whistleblowing policy*

8. Review and Revision

8.1. Review Frequency

8.1.1. This Policy will be reviewed by the DoF and presented to the Governing Body for approval at least once every three years. The Policy may be reviewed sooner where changes in legislation, regulatory guidance, treasury management best practice, lender requirements or the Group's operating environment necessitate amendment. The Governing Body may also request an earlier review where it considers this necessary to support effective governance, financial viability or risk management.

8.2. Responsibility for Updates

8.2.1. The DoF is responsible for reviewing and updating this Policy. The Governing Body retains responsibility for approving the Policy and any material amendments to it.

9. Approval and Effective Date

9.1. Approval Details

9.1.1. This Policy was approved by the Governing Body on 13th August 2026 and shall remain in force until amended, superseded or withdrawn.

9.1.2. Effective Date

9.1.3. This Policy shall take effect from 13th August 2026 and shall apply to all treasury management activities undertaken by the Group from that date. All existing treasury management arrangements shall be operated in accordance with this Policy from its effective date.

Appendix 1

Scheme of Delegation for Treasury Management Policy

Delegated Power	**Exercised by**
Approval and amendment of Treasury Management Policy	Governing Body
Approval of Annual Treasury Management Strategy	Governing Body
Approval of new borrowing facility	Governing Body
Application of surplus funds for investment purposes	Governing Body
Amendments to lists of counterparties	Audit & Risk Management Committee
Implementation of approved strategy	DoF
Treasury dealing with counterparties, including drawdowns and repayments in respect of existing facilities	DoF
Investing surplus cash with approved counterparties and agreeing term of notice on deposits	DoF
Opening new bank accounts or building society accounts	DoF
Finalising and signing Borrowing and lending documentation	DoF under specific authority of the Governing Body
Reporting on treasury activity to Governing Body	DoF

Note that in the absence of the DoF, responsibilities held by that post may be discharged by the Chief Executive.

Appendix 2

Credit ratings

The chart below provides an overview of the tables of long-term credit ratings maintained by the three largest credit ratings agencies.

It is the Group's policy that its counterparties should be assessed within one of the top 3 bands of credit ratings for all short and medium term exposures. These three bands are often referred to as Prime (Aaa on the Moody's scale), High grade (Aa1 to Aa3) and Upper Medium Grade (A1 to A3).
For long term exposures, only counterparties with credit ratings within the top two bands should be considered.

	Moody's Investors Service	FitchRatings	S&P Global Ratings	Rating Grade Description
Investment Grade	Aaa	AAA	AAA	Highest credit quality, lowest level of credit risk
	Aa1 Aa2 Aa3	AA+ AA AA-	AA+ AA AA-	Very high credit quality with very low credit risk
	A1 A2 A3	A+ A A-	A+ A A-	High credit quality with low credit risk
	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	Good credit quality with moderate credit risk
Speculative Grade	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	Speculative with substantial credit risk
	B1 B2 B3	B+ B B-	B+ B B-	Highly speculative with high credit risk
	Caa1 Caa2 Caa3	CCC+ CCC CCC-	CCC+ CCC CCC-	Substantial credit risk with default as a real possibility
	Ca	CC	CC	Very high levels of credit risk with default either occurring or about to occur
	C	C	C	Default or default-like process has begun
		SD	RD	Selective Default (SD): Issuers have defaulted on one or more specific issues but are expected to meet their other payment obligations. Restricted Default (RD): Issuers have missed one or more payments but are not under supervision for reorganization or liquidation.
		D	D	Default: Issuers are unlikely to pay their obligations and have likely entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedures.

Appendix 3

Treasury Golden Rules and Triggers

The following table provides an overview of the key treasury limits, or Golden Rules, set out within the policy and the trigger points which would require mitigating actions to be undertaken.

Treasury metric	Golden Rule	Trigger level	Action
Cash balances	Minimum balance of £2.6m for Caledonia and £350,000 for Cordale	Cash balances fall to £3m for Caledonia or £500k for Cordale	When trigger reached, DoF to present funding proposal to CEO
	No more than £10m with relationship bank (RBS)	Balance exceeds £9m	Investment / refinancing recommendation to be prepared for Governing Body
	No more than 50% of total deposits may be held with any other single counterparty, and exposure to any other counterparty must not exceed £5m.	Any exposure exceeds 45% or £4.5m	DoF to present cash flow projections to CEO and note any mitigating actions
Medium term liquidity	At least 18 months of commitments funded from existing or undrawn secured debt	Less than 24 months of commitments funded	Quarterly Governing Body update to highlight position and present plan to ensure Golden Rule not compromised
Proportion of Group variable rate loans	Maximum of 50%	> 40%	Projected position for subsequent 18 months to be presented to Governing Body and any corrective actions identified.

Projected interest cover **(EBITDA Loan)** **(EDITDA MRI Loan)**	No less than 120% No less than 110%	<135% < 120%	Management accounts identify source of variance and note recommendations to ensure covenant compliance.
Gearing levels **(RBS / Lloyds definition – debt as a proportion of historic cost of housing properties)**	No more than 38%	> 35%	Management accounts identify source of variance and note recommendations to ensure covenant compliance.
Treasury metric	**Golden Rule**	**Trigger level**	**Action**
Security – proportion of unencumbered units	At least 3%	Whenever falls below 5%	Projection to be prepared showing outlook for 18 months and to identify any corrective action
Asset cover per lending facility	Minimum of lender requirement plus 2% Maximum of lender requirement plus 10%	Asset cover is less than 103% of lender requirement Asset cover is more than 108% of lender requirement	Forward projection of asset cover to be presented to CEO to assess implications of planned treasury cash flows and / or security charging exercises. Governing Body to be advised of any material risks.

Appendix 4

Annual Treasury Management Cycle

Item	Date / Frequency	Responsibility
Preparation of 5 and 30-year business plan, including cash flow and funding analysis	31 January	DoF
Approval of 5-year business plan	28 February	Governing Body
Submission of business plan and budgets to lenders for information	31 March	DoF
Confirm insurance renewal and provide supporting information to lenders as required	31 March	DoF
Complete SHR FYFP returns (submission deadline 31 May)	Mid-May	DoF (with approval from ARMC)
Complete Loan portfolio returns (submission deadline 30 June)	31 May	DoF (with approval from ARMC)
Develop Treasury Management strategy to support business plan	31 May	DoF (reporting to ARMC)
Annual treasury management report	31 May	DoF (reporting to ARMC)
Submit audited accounts and management letter to SHR, lenders, FCA and OSCR (submission deadlines respectively are 30/9, 30/9, 30/11 and 31/12)	30 September	DoF
Submit covenant certificates to lenders	30 September	DoF

Quarterly management accounts (including treasury golden rules)	Quarterly	DoF
Arrange valuation reports for security portfolios	As required and identified in annual treasury report	DoF