



ATRIUM GROUP

Treasury Management Policy

Atrium Group

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Compliant with Scottish Housing Regulator’s Regulatory Framework:	Section 3
Compliant with Legislation:	CIPFA Code of Practice for Treasury Management in the Public Services
Compliant with Tenant Engagement and Empowerment Strategy:	N/A
Compliant with Equal Opportunities:	N/A
Compliant with Business Plan:	Yes
Tenants/customers consulted:	N/A
Date Approved:	November 2024
Date for Review:	November 2027 or earlier if required by changes in legislation or guidance, or if the Governing Body sees fit
Responsible Officer:	Finance & IT Manager and Chief Executive
The Treasury Management Policy has a direct link to the following Atrium policies and procedures:	Atrium’s Rules and Standing Orders Board Role and Responsibilities Remit for Finance, Audit & Staffing Sub-Committee Scheme of Delegation Procurement Policy Risk Management Policy Financial Regulations Internal Financial Procedures Business Plan

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1. Introduction

This is the Treasury Management Policy of Atrium Group (hereafter referred to as 'Atrium').

It is intended to ensure that the treasury management activities of Atrium are managed and controlled appropriately, and in a manner that complies with best practice, as set out in the CIPFA Code of Practice for Treasury Management in the Public Services (the Code) latest edition December 2021, and in line with the expectations of the Scottish Housing Regulator (SHR) as set out in the Standards of Governance and Financial Management.

This policy is structured to address the Treasury Management Practices (TMP) identified in the Code.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations or other formal policy documents appropriate to their circumstances, the following clauses:

1. Atrium will create and maintain, as the cornerstones of effective treasury and investment management:
 - a treasury management policy stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management procedures setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
2. The content of the policy and procedures follow the recommendations of the CIPFA Code, subject only to amendment where necessary to reflect the particular circumstances of Atrium. Such amendments will not result in Atrium materially deviating from the CIPFA Code's key principles.
3. The Board will receive reports on its treasury and investment management policies, practices and activities. Treasury related strategic decisions and requirements will be discussed quarterly at the Finance, Audit & Staffing Sub-Committee (FASCC) meetings and will then be communicated to the wider Board.
4. Atrium delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to FASCC, and for the execution and administration of treasury management decisions to the Finance & IT Manager, who will act in accordance with the organisation's policy statement and procedures.

Policy Definition and Objectives

Atrium defines its treasury management activities as the management of the organisation's borrowing, investments and cashflows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

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Atrium 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 Atrium and any financial instruments entered into to manage these risks.

Atrium acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

2. Treasury Strategy

Atrium completes its financial business plan annually. The business plan is where Atrium's ambitions, constraints and resources come together to produce a statement of the organisation's plans, targets and success measures for the forthcoming year and beyond, with a higher level view beyond the current wave of projects and developments. Key to the financial plan's credibility is identifying funding needs and constraints and outlining the response to them.

Projected golden rules and lending covenant compliance will be built into the financial business plan to identify areas of concern that may require action. Cash limits will also be built in to identify where additional lending would be required for investment projects etc to go ahead. This allows future borrowing to be sought and put in place well ahead of when it will be required to ensure that the correct procedures are followed and Board and FASSC have enough time to consider the options available to Atrium.

Business plan assumptions will be included for review, along with details of how these assumptions have been sourced, and will be subject to prudent sensitivity testing and analysis. Specialist expertise may be sought to give the Board and FASSC additional comfort around these assumptions, particularly in times of economic uncertainty.

3. Risk Management

In considering risk management Atrium will design, implement and monitor all arrangements for the identification, management and control of treasury management risk. Quarterly reports will be made to FASSC advising of Atrium's ability to achieve the objectives set out in this policy.

Atrium have considered the potential risks should the treasury management procedures fail to be adhered to, including:

- Material increased interest costs
- Other charges or penalties (potentially via loan covenant or condition breaches).
- Regulator intervention

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- Adverse impact on relationship/ confidence of lenders, other partners or members.

The Main areas of treasury management risk are:

1) Lending & Deposit Counterparties

Atrium will maintain a list of approved lending and deposit counterparties. Institutions may only be added to either list with the prior approval of FASSC and Board (See Appendix 1).

Atrium may borrow from:

- a) Banks and building societies authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, or their EU equivalent for European Banks; these may be high street lenders or smaller specialist providers;
- b) Financial institutions (pension funds, insurance companies, etc) through public bond issues, private placements or bilateral loans;
- c) Specialist bond aggregators operating in the social housing sector; or
- d) Scottish Government supported and underwritten initiatives such as the Scottish Charitable Bond programme.

Borrowing facilities will be arranged only with organisations that are judged to have sufficient financial strength to ensure the funds committed under the facilities will be available as and when they are required by Atrium in accordance with the terms of the loan agreement.

When raising new loan finance Atrium will:

- where possible, diversify its sources of funding;
- invite tenders from at least three financial institutions for new borrowing or refinancing;
- get FASSC and Board approval for any new loans, restructuring or refinancing; and
- prepare a report for Board detailing:
 - the purpose of the loan;
 - the proposed lender
 - the interest rate structure and margins;
 - arrangement, legal and other fees;
 - security requirements;
 - sensitivity analysis;
 - covenant requirements and
 - ability to meet these requirements and drawdown timescales

Investment and Deposit Counterparties

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The overriding principle guiding the investment of surplus cash balances is the preservation of capital value of Atrium's resources. The organisation recognises that in balancing risk against return, the avoidance of risk is more important than maximising return. The Finance & IT Manager is authorised to deposit or invest funds only with institutions approved by the Board as part of this policy (see Appendix 1). This condition may be varied, with approval from Board or FASSC should an alternative finance institution which has a suitable credit rating offer a more competitive rate.

Atrium will not invest in shares or other equity, recognising the speculative nature of such investments.

If, taking into account cashflow projections, surplus funds are regarded as available for a fixed term investment, prevailing rates will be appraised and a report submitted to FASSC for approval.

The balances of the organisation's bank accounts will be monitored by the Finance & IT Manager on an ongoing basis who will instruct the bank to make the necessary inter-account transfers to maintain credit balances and transfer surplus funds to deposit accounts to maximise interest income.

2) Liquidity Risk Management

Atrium will ensure that it is able to meet its liabilities at all times. The minimum balance held within Atrium's operating accounts will be no less than the equivalent of three months rental income, subject to transaction clearance requirement.

In investing surplus funds to an interest-earning deposit account, the organisation will refer to its cash flow projections and ensure that funds are accessible to meet organisational demands. If the projected balance held on deposit drops below the equivalent of one month's rental income then arrangements must be in place for a long term loan or revolving credit facility to restore liquidity to a level above the minimum – the precise amount will depend on the cash flow projections.

3) Interest Rate Management

Atrium will manage its exposure to interest rate fluctuation with a view to containing its interest costs within the amounts provided in its business plan and annual budget as approved by Board and FASSC. Atrium will do this by aiming to ensure that exposure to inflation and interest rate movements are appropriately hedged. This will include the following parameters:

- a) Unhedged variable rate borrowing (excluding borrowing in which the rate payable is directly linked with an inflation index) will not normally exceed 75% of total borrowing unless otherwise agreed by Finance and Audit Sub-Committee or Board as the most prudent approach. The precise mix of fixed, variable and inflation-linked borrowing will be dependent upon the economic climate at the time and Atrium's perception of risk. Prior to maturity of interest rate periods on any existing loans, Finance & IT Manager will report to FASSC and Board on options available and a

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recommended course of action for approval. New loans will be subject to Board approval prior to entering into any arrangement.

- b) Hedged variable rate borrowing (in which the rate payable is directly linked with an inflation index or similar measure) will not normally exceed 40% of total borrowing unless otherwise agreed by FASSC as the most prudent approach.
- c) Variable rate loans will be linked to the appropriate market rate (SONIA or Base Rate). The margin will be subject to market conditions and alternative quotations should be received from at least three approved lenders except where the decision is being made on the advice of independent consultants. All loans must be approved by FASSC and Board prior to signing an agreement.
- d) Loan maturity dates will be appropriately staggered to reduce exposure to high interest rates when the loan is due to be restructured.

4) Exchange Rate Management Strategy

Atrium will not invest or borrow in any currency except UK Pounds Sterling. This will eliminate any exchange rate risk.

5) Inflation

Inflation risk is the risk that arises from the decline in value of cashflows due to inflation. Atrium will keep under review the sensitivity of its loans and deposits due to inflation, and will seek to manage the risk accordingly in the context of the whole business's inflation exposures.

6) Exposure to Refinancing Risk

Atrium's current loan portfolio is structured so as to ensure that it will be able to meet all repayments of principal as required under the relevant loan documentation. Atrium complies with loan covenants and Atrium is not exposed to significant refinancing risk.

The Finance & IT Manager will ensure that proposals from lenders to provide appropriate loan facilities to meet identified requirements are brought before FASSC and Board in sufficient time to enable due consideration to be given to them, and to ensure that loan facilities are put into place before additional funds need to be drawn. In doing so, at least 12 months should be allowed for completion of a new loan agreement and security documentation with a new lender.

Atrium will not enter into development or other commitments without having sufficient committed loan facilities in place to cover the resulting borrowing requirement.

7) Legal and Regulatory Framework

The Finance & IT Manager is responsible for ensuring that any borrowing or investment transaction is permitted by Atrium's Financial Regulations, Internal Financial Procedures and Scheme of Delegation, and is not in breach of any statutory

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or regulatory requirements, including but not limited to charity law, SHR requirements and FCA requirements.

The Finance & IT Manager is empowered to take appropriate external advice as required to satisfy this. Atrium maintains a robust system of internal controls as set out in the 'Controls Register'. Staff involved in treasury management activity will be appropriately qualified and experienced, and qualifications and professional membership of new staff will be confirmed prior to appointment. Appropriate training and development will also be offered to relevant staff. Appropriate insurance, based on professional advice, will be maintained at all times.

8) Operational Risk, including fraud, error and corruption

Atrium will ensure that it has identified the circumstances that might expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

As a minimum, these will include proper documentation of procedures and controls; segregation of duties where possible, regular independent audit of systems, controls and records; and appropriate qualification, training and development of staff.

See Atrium's Strategic and Operational Risk Registers and Controls Register on the organisation's Corporate Network Drive for further information.

9) Non-treasury investment risk

Atrium recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

Atrium will ensure that all the organisation's investments are covered in the annual Business Planning process, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

Atrium will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Group's risk exposure.

4. Decision Making process

In making key decisions regarding its treasury management activities, Atrium will ensure that proper consideration is given to all relevant factors, including:

- a) The powers of Atrium and regulatory requirements

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- b) Budgetary constraints and business plan projections
- c) Financial covenants
- d) Prevailing and forecast economic conditions
- e) Available funding and treasury management options

Any key decisions will be informed by an appropriately detailed written report, covering as appropriate, the areas identified above. Such reports will be compiled by the Chief Executive Officer and Finance & IT Manager for consideration by FASSC and Board.

In compiling such reports, officers will exercise appropriate levels of care and professional expertise, and where they consider it necessary, may seek advice in specialist areas from suitably qualified external advisers.

The treasury management decisions made, following consideration of such reports, will be properly minuted and recorded as required by Atrium's standing orders. The Finance & IT Manager will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer of Atrium who may be involved in implementing those decisions.

5. Approved Instruments, Methods and Techniques

Borrowings

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

- a) Accurately reflects the terms and conditions agreed with lenders
- b) Complies with applicable legislative and regulatory requirements
- c) Has been compiled by suitably qualified advisors
- d)

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

Atrium may undertake interest rate management through the medium of its loan documentation, and unless expressly approved by Board, will be limited to fixed and variable interest rates. Variable rates may be set against SONIA or Bank of England Base Rate (also known as 'Base Rate').

Atrium will seek to restrict the amount of security given to lenders in arranging private finance in order to have available unencumbered assets.

Internal Financial Controls

The physical security of cash within the office and in transit will be as specified in the organisation's internal financial procedures. The organisation does not accept any cash

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payments in the office. Only petty cash is held within the office and this is limited to a maximum of £300 at any one time.

Payments by cheque will be made in accordance with the organisation's internal financial procedures. In order to counter fraud, all cheque payments require to be signed by two authorised cheque signatories. For BACS or CHAPS payments the supporting documentation should be signed by two members of staff authorising the expense in line with the internal financial procedures, and the actual payment via online banking will then require dual authorisation before the payment is processed.

6. Responsibility for Treasury Management

For approved scheme of delegation for Treasury Management please see Atrium's 'Scheme of Delegation' saved on the internal Corporate Network Drive.

7. Reporting Requirements

The Finance & IT Manager reports to FASSC and Board on treasury activities as shown below:

Item	Frequency
Covenant calculation report	Quarterly
Management accounts	Quarterly
Cash and Deposit management report including details of deposits placed and interest earned	Quarterly
Loan summary report covering all existing and committed funding and including details of lender, interest basis and financial covenants.	Quarterly
Governance checklist will be shared with Finance and Audit Sub-Committee and Board detailing compliance and submissions required in the period and confirmation that they have been actioned. Including but not limited to returns to SHR, OSCR, Companies House, annual accounts, business plans and forecasts etc.	Quarterly
Covenant compliance sent onto lenders along with a copy of the signed financial statements.	Annually

8. Audit arrangements

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

9. Cashflow Management

Atrium prepares 30-year financial plans covering all the activities of Atrium. This includes a 30-year cashflow forecast, incorporating current borrowing arrangements and identifying projected borrowing needs and investment opportunities.

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Based on this, the Finance & IT Manager will prepare a detailed forecast for a period of five years – this will form the basis for planning and arranging any new borrowing required.

10. Money Laundering

Atrium will embrace the underlying principles behind the money laundering legislation and regulations and put in place anti-money laundering procedures appropriate to our activities.

Customer identification will take place in areas at risk of being used for money laundering and relevant staff will be made aware of procedures to be adopted.

Positive management action through control measures will be exercised in order to minimise the risk of our services being abused for the purposes of laundering funds.

Transactions with individuals or businesses whose conduct gives rise to suspicion of involvement with illegal activities will be reported to the National Crime Agency and will not proceed without consent from the NCA.

Money Laundering training will be rolled out to staff to raise awareness and help them to identify 'red flags' which may require further investigation.

11. Staff Training and Qualification

Atrium will ensure that its officers are suitably qualified and/or experienced in respect of the treasury-related responsibilities assigned to them. Sufficient training will be obtained as necessary and access to appropriate external advisors will be provided where required.

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Appendix 1 – List of Approved Lenders / Investment Organisations

Organisation	Lender	Investment Organisation	Fitch Long Term, Short Term Rating and Outlook
Clydesdale Bank plc (now part of Nationwide B.Soc)	✓	✓	A- F1 Stable
Royal Bank of Scotland plc	✓	✓	A+ F1 Stable
Nationwide Building Society	✓	✓	A F1 Stable
Lloyds Group/ HBOS	✓	✓	A+ F1 Stable
Barclays plc	✓	✓	A+ F1 Stable
Co-operative Bank (being acquired by Coventry Building Society)	✓	✓	B+ B+ Stable
Santander	✓	✓	A+ F1 Stable
CAF Bank	✓		Not rated
Triodos Bank	✓		BBB F3 Negative
Scottish Widows (part of Lloyds Group)		✓	
Virgin Money (now part of Nationwide B.Soc)		✓	BBB+ Stable