



TREASURY POLICY AND PROCEDURES

2006

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1 Policy

Introduction

- 1.1 This document sets out the Treasury Policy of Northwards Housing Limited as agreed by the Resource & Governance Sub-Committee. The policy and associated procedures have been written in accordance with CIPFA's "Treasury Management in Housing Associations: A Code of Practice".

Activities

- 1.2 The treasury activities approved by this policy are the placing of surplus monies on investment. The limits and restrictions on these activities are defined below.

Strategy

- 1.3 All money in the hands of Northwards shall be aggregated where possible or appropriate for the purposes of treasury management. The key to proper treasury management is the management of cash flows both externally and between the Northwards' funds as appropriate. Financial planning and cash requirement forecasting are therefore central to the procedures and are set out in more detail below. The treasury strategy for the ensuing year and beyond shall be reported to the Board by way of the budget and financial business plan.

Risk

- 1.4 The main criterion in assessing any treasury decision is risk analysis. Northwards has as the over-riding factor that it is risk averse and will take such actions and carry out such procedures in order to minimise any treasury risks. Once these risks are minimised, the organisation shall endeavour to maximise returns. This policy is stated within the overall context that Northwards is a "not for profit organisation" and has the management and maintenance of housing as its objects.

Investment

- 1.5 Security of the Northwards' funds is a high priority and therefore Sub-Committee has approved a list of organisations with which funds can be placed and limits on the amount of investment.

Delegation

- 1.6 Day to day management of all investments is delegated by the Resource & Governance Sub-Committee to the Director of Business Services in accordance with the Standing Orders. New investments shall be placed in accordance with the bank mandate.

Reporting

- 1.7 Investment decisions taken by the Officers shall be reported quarterly to the Resource & Governance Sub-Committee with the Management Accounts. Each year an additional report shall be prepared summarising treasury activities for the previous twelve months for consideration by the Resource & Governance Sub-Committee.

Review

- 1.8 This policy and procedures shall be reviewed on a regular basis by the Director of Business Services and annually by the Resource & Governance Sub-Committee to ensure that the limits, criteria and procedures are still appropriate to the Northwards' activities.
- 1.9 In association with this review shall be consideration of the use of the banking system and the provision of banking services. This review is not just in respect of treasury and will encompass day-to-day operations covered by the finance procedures as well.

2 Financial Planning

- 2.1 An assessment will be made continually and in detail each month, as to the Northwards' cash flow position based on known actual receipts and payments as well as updated forecasts. This forecast will be completed by the Finance Team with information provided from other officers as appropriate.
- 2.2 The completed cash flow forecast will give Northwards an indication of its cash requirements over the following few months with reasonable certainty and forecast amounts for future years. This will enable the Director of Business Services, in consultation with the Head of Finance where appropriate, to make investment decisions in respect of how much cash is available for investing, when the cash will be available and for how long.
- 2.3 The current cash position with respect to the Northwards bank accounts will be regularly monitored via the electronic banking computer link to ensure that the organisation is not overstretched on liquidity at any time.
- 2.4 The liquidity requirements of Northwards are assessed as being equivalent to half one month's turnover for cash and bank balances available.
- 2.5 The objective behind completing cash flow forecasts is to ensure that investment opportunities are not missed and that funding requirements from Manchester City Council are identified well ahead of time.
- 2.6 Any new projects proposed will be built into and tested in a financial model at the earliest opportunity to ascertain whether they will fit within the planned operations of the organisation. The timing of cash flows

and the amount any project might contribute, derived from the financial assessment, will be used in the plan.

- 2.7 Northwards will aim to hold at least a reasonable level of cash and cash equivalents at any particular time to provide for the operational cash flows of the organisation. The financial plan will ascertain whether operational cash flows and major expenditure can be met.
- 2.8 Northwards has the power to obtain or maintain a bank overdraft facility when the Board, following advice from the Resource & Governance Sub-Committee and Director of Business Services assess that there is a requirement or need to mitigate risks. In accordance with bank policy, a bank overdraft facility and the reasons for maintaining it will be reviewed annually.

3 Risks

- 3.1 The inherent risks in treasury management are that adverse interest rate movements will result in the loss of interest receivable on fixed rate investments or that funds are tied up and are unavailable when required. The primary objective shall be to minimise the financial risk to which Northwards is exposed in relation to investments.
- 3.2 Risks also exist for investments if the deals are not spread between portfolios of counter parties. The Sub-Committee have therefore approved limits on deals with approved counter parties which are documented below. The Director of Business Services shall then use his judgement in the light of the current market and the counter party's standing to determine the maximum level of deals which should be placed within the approved limits.

4 Investments

- 4.1 The day-to-day control of the investment portfolio is the responsibility of the Director of Business Services, delegated to him by the Board. At all times he is required to act in accordance with the treasury policy and these procedures.
- 4.2 The types of investment opportunity that are available to Northwards are as permitted by law.
- 4.3 Northwards has identified a number of investment opportunities in which it is willing to invest. The agreed list of institutions, to be reviewed annually, is as follows:
- Bank of Scotland plc / Halifax plc
 - Barclays Bank plc
 - Cooperative Bank

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- HSBC Bank plc
 - Lloyds TSB plc
 - Royal Bank of Scotland plc / National Westminster Bank
- 4.4 The banks approved for investment all have ratings equal to or above the following levels:
- Short Term F1 or above (previously F2)
 - Long Term A or above (previously B)
- 4.5 In considering the amount to be invested with any institution the Officers shall have regard to how close the institutions ratings are to these levels. In any event an initial investment in a bank shall be limited to £250,000. Except for funds with the Northwards' main bankers, a maximum of 50% of the investment fund should be with any one institution.
- 4.6 All investments shall be recorded in a register designed for that purpose and the appropriate documentation filed. The register is available for inspection at any time. The register shall record the amount, period, counter party, interest rate, dealing date, payment date and where alternatives were available and sought, a note on the basis on which a particular deal was judged to be the correct one.
- 4.7 Because of the nature of investments (purely deposits) allowed by law, external intermediaries shall not be used in the normal course of events for investments. However, the need for such assistance will be kept in mind and will be regularly reviewed.
- 4.8 Each year a report shall be forwarded to the Resource & Governance Sub-Committee in respect of all treasury activities for the previous twelve months. At this time changes to the treasury policy and procedures will be made.