

VINE HOUSING CO-OP LTD TREASURY RISK MANAGEMENT POLICY

1. TREASURY POLICY STATEMENT

1.1. Treasury Management

Treasury management is the management of all money and capital market transactions in connection with the cash and funding resources of the Co-op and the control of associated risks.

1.2 Risks

The Co-op recognises the following treasury management risks:

Risk	Type of Risk
(1) Interest Rate Risk	Exposure of the Co-op's interest income and expenditure flows to fluctuations in interest rates.
(2) Inflation Risk	Exposure of the Co-op to increases in its nominal and real expenditure flows, possibly without the ability to compensate by increasing its income flows, with exposure to diminution in the value of its cash holdings, occurring in both real terms and sufficiency to pay its liabilities.
(3) Liquidity Risk	Likelihood of the Co-op having insufficient cash holdings, overdraft or revolving facilities or undrawn committed funding facilities to pay its liabilities
(4) Covenant & Legal Risk	Possibility of failure to meet terms set by lenders for the operating results to be obtained so that in some cases, immediate repayment of loans is required.
(5) Refunding Risk	Potential inability of the Co-op to repay a maturing loan.
(6) Counterparty Credit Risk	Exposure of the Co-op to the loss of invested funds, due to the organisation with whom it is transacting being unable to settle its liabilities.
(7) Fraud & Error Risk	Potential for the Co-op to incur financial loss through error, lack of care, or misuse of funds or theft.
(8) Systems Risk	Inability of management information systems to cope with the complexity of treasury management.
(9) Operational Risk	Risk that the Management Committee and officers have insufficient knowledge to understand transactions they are approving and entering into.

The Co-op's Treasury Management Policy and related procedures are focused on reducing these identified risks to a minimum. This will include training for all concerned.

1.3 Cash Management

The Co-op has concluded that all its cash and reserves should be allocated in the most efficient manner possible. In deciding this it has acknowledged that debt carries a higher real cost to the Co-op than the use of its cash or reserves. However, at all times the Co-op will endeavour to maintain a liquidity position where available cash and facilities, taken together, match the next 12 months cash requirements.

1.4 Policy Statement

The Co-op accepts that no treasury management policy can avoid all risk. However in balancing risk against return it is the Co-op's policy to avoid risk rather than maximise return.

2. APPROVED ACTIVITIES AND DELEGATED AUTHORITY

2.1. Delegated Powers

2.1.1 Board of Management

The Management Committee (MC) are ultimately responsible for the financial state of the Co-op. The MC authorises and monitors treasury management within the terms of the Treasury Management Policy. The MC will:

- (i) Approve the Treasury Management Policy and any changes recommended to it;
- (ii) Define the Co-op's reporting requirements in terms of treasury management;
- (iii) Approve the borrowing requirements of the Co-op;
- (iv) Approve authorised lenders;
- (v) Approve authorised investment institutions;
- (vi) Monitor the operation of the Co-op's treasury management.

2.1.2 Sub Committee

The MC from time to time according to the level of financing activity will delegate authority to a Sub Committee of Members to:

- (vii) Approve loan documentation and agree terms.

2.1.3 Officers of the Association

The day to day management of the Co-op's treasury matters rests with the Treasurer and Finance Sub-Group. It is the responsibility of the Treasurer to delegate the operational activities within the Finance Sub-Group to ensure proper division of responsibilities and duties.

Specific authority is delegated to the Treasurer and Finance Sub-Group to:

- (i) Authorise the addition of new institutions for investment purposes providing the institution meets the requirements set out in Section 3.4 below.
- (ii) Negotiate and determine interest rates for deposits.
- (iii) Enter into any approved interest rate activity as specified in the signed and sealed loan documentation or as approved in accordance with Section 6 below.
- (iv) Report all such activities as required by the MC as set out in Section 9 below.

Authority is delegated to the Treasurer and Finance Sub-Group to:

- (i) Transfer monies between any Co-op bank account without limit.
- (ii) Authorise deposit of surplus funds with any of the Co-op's approved institutions for investment purposes for a period of up to 3 months.

In the absence of the Treasurer delegated authority extends to the other officers of the Co-op (in line with Standing Orders).

3. APPROVED METHODS OF RAISING CAPITAL FINANCE

3.1 Borrowing Limit

The Co-op is limited to borrowing a maximum of £100m long term debt under its current rules. The MC will agree an approve a borrowing limit each year as part of its treasury review. The current agreed limit is £1m

3.2 Facilities Required

The Co-op should always use its best endeavours to have in place cash and agreed facilities (including overdrafts) sufficient to meet the Co-op's projected cash needs for the next 12 months calculated on a rolling basis.

3.3 Maturity Profile

Capital repayments should be profiled to ensure that the Co-op does not have liabilities that it cannot meet in any one year. To this end agreed facilities or cash will be in place to ensure that those commitments can be fully repaid.

3.4 Types of Institution

The Co-op will confine its borrowing to banks, building societies, institutions and "vehicles". Vehicles means a company set up for the specific purpose of issuing bonds or other long term debt in conjunction with other registered social landlords for the specific purposes of funding the provision of social housing.

The Co-op will not borrow from, or allow any current loan to be transferred to any bank, building society or other institution with a credit rating below A as registered by Standard and Poor or Moodys investment credit rating agency (nor from any bank, building society or other institution placed under watch)

3.5 Approved Borrowing Instruments

The Co-op will borrow money subject to MC approved terms and conditions in the form of:

- (i) Variable rate loans
- (ii) Fixed rate loans
- (iii) Revolving facility

Any other form of loan will be subject to full approval following a detailed report being put to the MC from independent financial advisors.

4. APPROVED SOURCES OF FINANCING

4.1 Approved Lenders

The Co-op will not operate an approved lenders list. Instead once a borrowing requirement is identified the most appropriate source of funding available in the market at that time will be sought. All lenders will be approved by the MC prior to signing off documentation.

5. APPROVED ORGANISATIONS FOR INVESTMENTS

5.1 Investment of surplus funds In deciding where to invest its surplus funds the Co-op's objective is to minimise risk to its funds.

5.2. Approved Investments

The Co-op will only invest in UK-based institutions falling under the supervisory regime of the Financial Conduct Authority/Prudential Regulation Authority. The Co-op will only invest in the following in accordance with its Ethical Investment Policy:

- (i) Shares or securities of a registered building society
- (ii) Shares or securities issued in the UK by a UK incorporated company
- (iii) Any stock or security guaranteed by a local authority
- (iv) Gilts
- (v) Treasury bills
- (vi) Bank and building society deposits
- (vii) Local authority deposits up to 364 days
- (viii) Unit trusts
- ix) Loanstock or other instruments from Housing Co-operatives registered with the Homes and Communities Agency.

5.3 Approved list of investment bodies

The Co-op will operate an approved list of investment bodies. Only bodies on the approved list can receive cash investments from the Co-op. Any additions or removals from this list will be subject to MC approval.

6. POLICY ON INTEREST RATE EXPOSURE

6.1. Variable / Fixed Rates

The Co-op will maintain a loan portfolio split of between 75:25 fixed to variable and 25:75 fixed to variable, the Treasurer having the authority to approve within these limits, the MC to authorise loan splits outside of these limits.

7. LIQUIDITY

7.1 Working Capital

The Co-op will always aim to maintain a working capital of £100k within its bank accounts.

7.2 Cash Contingency

The Co-op does not maintain an unsecured overdraft facility. Should this need arise the Treasurer will report to the MC who will then consider the matter further.

8. BANKING

8.1 Review of Banking

The Co-op bank facilities will be reviewed on a periodic basis as agreed by the MC.

9. REVIEW AND REPORTING REQUIREMENTS

9.1. Responsibilities

The Treasurer shall have responsibility for reviewing and reporting all treasury activities to the MC.

9.2 Reports to the Management Committee

The Treasurer or in his/her absence a MC member from the finance sub-group will report to the MC on the following:

- (i) Treasury Management performance against strategy
- (ii) Annual financial strategy for next financial year
- (iii) Drawdown of any permitted borrowings against budget.
- (iv) Approved borrowing instruments used.
- (v) Approved depositories used.
- (vi) Cash flows – budget and actual, minimum cash in hand balances.
- (vii) Proposed amendments to the Treasury Management Policy
- (viii) Matters in which Treasury Management Policy has not been complied with
- (ix) A covenant report, detailing the covenants within the Co-op's current loan portfolio and its position against them.

Accepted at GM September 2014