

Treasury Management

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1. Background

Abbeyfield The Dales Ltd (ATD) aims to have effective control of the risks associated with the management of its cash flows, its banking and money market transactions and to pursue optimum performance consistent with those risks.

2. Objectives

The objectives of the Treasury Management Policy and Procedure are to:

- Provide means by which Abbeyfield can meet its financial commitments.
- Ensure that sufficient sums are available at short notice to meet foreseeable requirements.
- Plan so funds are available for business development and capital investments projects.
- Earn an acceptable rate of return on surplus funds without undue risk.
- Spread risk between differing types of investment and institutions.
- Comply with any regulatory requirements.

3. Scope

All established staff, agency staff and volunteers working in the house; regional staff; staff based at Head Office.

4. Policy

4.1. Statement

ATD regards the successful identification, monitoring and control of risk to be the prime criteria by which effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

ATD 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 best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

ATD will spread the investment of surplus funds across a range of institutions to remove risk, provide a degree of flexibility, and obtain optimal benefit or return. In addition, the duration of investments will be of differing lengths and maturity dates. Investment strategy and decisions will be discussed with and approved by the Finance Committee.

4.2. Definition of Treasury Management

Treasury management is defined in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice as:

- The management of all cash, money market investments and capital market transactions regarding cash and funding resources, and the control of the associated risks.

4.3. Organisation

The Chief Executive/Financial Controller and the Board are responsible for the overall security and management of funds.

Day to day operation of the treasury function is managed by the Financial Controller who will liaise with the Chief Executive and ATD's financial advisers in relation to strategy and market conditions and will report on the current and forecast position on a regular basis.

4.4. Borrowing and Investment Powers

Borrowing must be authorised by the Board and reported to it on a regular basis.

4.4.1. Investment of Surplus Funds

The return on working capital and reserves should be optimised whilst allowing easy access of the funds. It should be stressed that in balancing risk against return, the Financial Controller should be more concerned to avoid risk than to maximise return.

Surplus funds and reserves will be invested in:

- **Deposit accounts** – selected to optimise the balance between interest earned and being tied into minimum notice periods.
- **UK Government Securities** – tradeable low risk government securities that offer a good return (interest or capital appreciation).
- **Money market** – overnight or short term (a maximum of three months) placements undertaken by the bank.
- **Charities Common Deposit Fund** – which aims to provide a high level of capital security and a competitive yield; it is suitable for short-term investments.
- **Authorised Unit Trusts** – with the aim of achieving capital growth including the re-investment of income of designated reserves held for the medium to long term. *Appendix 2 provides details of unit trusts currently held.*
- **Other investments** in an account in the name of Abbeyfield the Dales Limited with the institutions approved by the Finance Committee.

ATD will comply with the requirements of the Trustee Act 2000.

4.4.2. Credit Risk

Credit risk will be minimised by ensuring that ATD funds are only invested with UK clearing banks, UK Government Securities (Gilts) through an approved intermediary, UK charity deposit funds and authorised unit trusts registered with the Financial Conduct Authority (FCA).

4.4.3. Cash Flow Forecasts

The Financial Controller will prepare annually a summary statement for at least the following three to five years which will be based on the financial plan and will highlight any long-term borrowing requirements or medium-term investment opportunities. The cash flow statement will be presented to the Board. Where appropriate, it will include a recommended strategy for funding capital finance proposals or other borrowing and for investing surplus cash for the period covered by the forecast.

In addition to the annual cash flow projection, the Financial Controller will also prepare a 12 month rolling cash flow forecast as part of the monthly management accounts.

4.4.4. Capital Finance

Where necessary, capital finance may be raised in accordance with the limits approved by the Board. In such circumstances, ATD should ensure that competitive quotations are obtained and that a suitable range of options are considered to ensure that value for money is achieved. All capital finance must meet the requirements of and be approved by ATD's existing lenders.

4.4.5. Approved Institutions for Investments

Security of Investment is paramount. A list of approved institutions is to be agreed with the Finance Committee.

4.5. Limits and Authorities

4.5.1. Business

ATD will, in accordance with the Authority Levels Procedure:

- Obtain prior approval for the opening/closing of bank accounts or related facilities e.g. credit cards.
- Only invest in UK clearing banks, UK Government Securities, UK charity deposit funds and UK authorised unit trusts.
- Obtain prior approval for any bank deposit with a maturity date greater than six months.
- Obtain prior approval for any investment other than a bank or building society deposit.
- Obtain prior approval for all secured borrowing and unsecured loans for periods greater than twelve months.

4.5.2. Chief Executive

The Board delegates authority to the Chief Executive/Financial Controller to:

- Make placements with UK clearing banks, UK charity deposit funds, UK Government Securities (through an authorised broker), and UK authorised unit trusts following discussion and agreement with the Finance Committee and in line with Delegation of Authority approvals.

Such transactions must be approved in writing by any two of ATD's bank account signatories. Details of signatories are per the bank mandate and the limits are specified in the 'Banking and Bank Transfers' section of the Delegation of Authority policy appendix 1.

4.6. Control and Inspection

4.6.1. Register of Deposits/Investments

The Financial Controller will maintain a register of all deposits / investments / UK Government Securities held which will record:

- Institution with which the deposit was made.
- Date deposit was placed.
- Amount deposited.
- Date of maturity.
- Amount returned.
- Rate of interest obtained.

4.6.2. Recording and Monitoring

Bank balances and all investments / deposits will be reconciled and balanced to accounting records monthly.

Cost of funds and requirement for funds will be monitored on an ongoing basis via the monthly Management Accounts and through the budgeting and forecast process. This will include details of cash balances held, solvency and liquidity indicators and an indication of average return on investments.

A quarterly report will be provided to Members of the Finance Committee detailing the investments held and their performance for all investments of Abbeyfield The Dales (ATD), of its subsidiaries, and Almshouses where ATD acts as Trustee. The committee will monitor performance and guide officers of ATD in proposed investment decisions. In addition, an annual report on investments will be provided for the Board.

5. Finance, Value for Money & Social Value

Adherence to this policy ensures good financial stewardship, the safeguard and maximisation of company assets, making sure the cost of borrowing gives the best value to the organisation, and there are sufficient funds to provide the best possible service to residents.

6. Supported Appendices

Appendix 1 - Cash Deposit Guidelines

Appendix 2 - Unit Trusts held by Charles Edward Sugden Almshouses

7. Linked Policies

Delegation of Authority (LG014P)

8. Legislation/Regulation

N/A

9. Review

Annually, subject to any regulatory or legislative updates by the Financial Controller.

This policy statement will be reviewed annually by the Finance Committee which will recommend any changes in policy to the Board.

10. Procedure/Guidance

See Appendices 1 & 2

Appendix 1 - Cash Deposit Guidelines

Introduction

The aim of this guideline is to:

- Articulate the criteria for selecting banks to place deposits with
- Articulate the process when the criteria are not met

Proposed Criteria

Criterion 1 – Invest only in UK owned banks in the UK. A list of banks that can be deposited in will be approved by the credit committee and will be reviewed at each Finance Committee.

Criterion 2 – At least one of the three ratings below will need to be a minimum of A- or equivalent in each of the long, and short-term ratings.

	Fitch	S&P	Moody
Long Term - Minimum rating	A-	A-	A3
Short Term (up to 13 months) - Minimum rating	F1	A2	P1

Criterion 3 – General reserves should be limited to term deposits of 3 or 6-month placements to maintain flexible access to funds if they might be needed at relatively short notice. The longer-term rates are at an historic low, so they do not create a decision point. It is proposed that designated reserves for future development, repair or decorating may be deposited for terms of up to 5 years and beyond this timeframe consideration should be given to investing in suitable unit trusts, which can be a more suitable vehicle for the medium to long-term.

Process

If ratings are below the minimum as noted in the table above that institution cannot be proposed and, if already approved, it will be automatically dropped from the list and the deposit not renewed. If there are real short term concerns the deposit will be terminated early where contractually possible.

Appendix 2 – Unit Trusts held by Charles Edward Sugden (CES) & Sir Francis Crossley (SFC) Almshouses

At the point of ATD becoming the Corporate Trustee of CES & SFC, there were in existence funds invested with M&G's Charity Multi Asset Funds. This fund is an authorised unit trust, and it is regulated as a Charity Authorised Investment Fund with the Financial Conduct Authority. The fund is also a Common Investment Fund under the Charities Act 2011 and a charity registered with the Charity Commission. Registered charities can invest in this fund.

M&G is rated by Fitch as having a AA- credit rating as at June 2021.

All investment decisions will be made by the Board of Trustees and M&G Investment Management Limited is the current investment manager with discretionary powers. Members of the Finance Committee will review performance of the fund on an annual basis and make recommendations to the main board. In addition, a summary of the investment position will be reported to board on a quarterly basis.

M&G Fund Performance is monitored against a composite index comprising:

- 45% FTSE All-share index
- 30% MSCI ACWI (ex UK) index
- 12.5% ICE BoAML 1-15 Gilt Index
- 12.5% ICE BoAML 1-15 Non-Gilt Index

The main objectives of the fund are to:

- Provide a higher total return (capital growth and income) than a comparable index
- Provide an annual yield of at least 3%

The composition or exposure of the fund is within the following ranges:

- 60-90% in equities
- 0-40% in fixed income securities and cash
- 0-15% in other assets

Glossary of Terms:

FTSE - Financial Times Stock Exchange Group

MSCI ACWI (ex UK) Index - The index is based on the MSCI Global Investable Market Indexes (GIMI) Methodology—a comprehensive and consistent approach to index construction that allows for meaningful global views and cross regional comparisons across all market capitalization size, sector and style segments and combinations. This methodology aims to provide exhaustive coverage of the relevant investment opportunity set with a strong emphasis on index liquidity, investability and replicability. The index is reviewed quarterly—in February, May, August and November—with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. During the May and November semi-annual index reviews, the index is rebalanced, and the large and mid-capitalisation cut off points are recalculated.

BoAML - Bank of America Merrill Lynch