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## Treasury Management Practices

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### Version Control

Date	Owner	Version	Reason for Change
July 2022	Stuart Green	1	Replacement of current 'Banking' procedure to ensure Ark's wider treasury management practices align to Treasury Management guidance issued by the SFHA in February 2022.

### Summary of Changes

Section	Change



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# Treasury Management Practices Procedure

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## 1.0 Introduction

The purpose of this procedure is to address the twelve Treasury Management Practices (“TMPs”) identified in the CIPFA Code of Practice for Treasury Management in the Public Services (“The Code”).

It is supported by:

- Documented delegation of specific reporting, decision-making and control authorities by the Board of Management to the Finance Sub-Committee, the Audit Sub-Committee, the Executive Team and the Director of Finance;
- A detailed risk map for treasury activities, maintained by the Director of Finance and reported annually to the Audit Sub-Committee; and
- A schedule of relevant data, maintained by the Director of Finance and reported annually to the Board of Management with the treasury management strategy.

## 2.0 Treasury Management Practices (“TMPs”)

The table below summarises the twelve TMPs identified in the code, mapped to the relevant section of this procedure.

TMP No.	Procedure Section	TMP Description
1	3.0	Risk management, with sub-sections 3.2 to 3.10 providing fuller detail on each of the risks set out in the Code
2	4.0	Performance measurement
3	5.0	Decision-making and analysis
4	6.0	Approved instruments, methods and techniques
5	7.0	Organisation, clarity and segregation of responsibilities and dealing arrangements
6	8.0	Reporting requirements and management information arrangements
7	9.0	Budgeting, accounting and audit arrangements
8	10.0	Cash and cash flow management
9	11.0	Money laundering
10	12.0	Training and qualifications
11	13.0	Use of external service providers
12	14.0	Corporate governance

## 3.0 Risk Management

### 3.1 General Statement of Risk Management

The Director of Finance will prepare and present to the Board of Management a Treasury Management Strategy (“TMS”) annually. Treasury and investment activity updates throughout the year will also be included as part of the management accounts presented to the Board of Management / Finance Sub-Committee, alongside updated cash flow and covenant projections to the financial year end.

The TMS will include a summary of treasury management activity in the preceding financial year and the current financial year, covering:

- Summary of actual and projected cash flow, and commentary on significant variances (against approved budget / financial plan);
- Loan drawdowns in the preceding 12 months;
- Loan repayments in the preceding 12 months;
- A summary of the hedging position between fixed and floating rate debt in the current loan portfolio, and any changes to interest rate structure on existing loans, such as maturing or new loan fixes;
- Statement of actual and projected covenant compliance and headroom for all covenants for all lenders;
- Summary of loan security position;
- Summary of cash deposit position and activity since the previous TMS;
- Summary of investment portfolio position and activity since the previous TMS; and
- The current treasury management risk map.

The TMS will include forecast cash flows for five financial years, as well as:

- Analysis of current prevailing short and long-term interest rates, comparison with historical trends and projected trend movements over the next financial year. This data will be supported with externally gathered expert opinion;
- A statement of borrowing requirements for the next five years, together with a strategy for funding this requirement;
- A statement of anticipated cash surpluses and the strategy to be adopted for investment thereof during the next 12 months;
- A recommendation as to the mix of fixed, variable and index linked interest rates to apply across Ark’s debt portfolio at the end of the next financial year; and
- Any proposals for amendments to this Treasury Management procedure, including the Golden Rules, which will require Board of Management approval.

The Director of Finance:

- Will design, implement and monitor arrangements for the identification, management and control of treasury management risk;

- Will report at least annually on the adequacy and suitability thereof to Ark’s Audit Sub-Committee; and
- Will report to the Executive Team, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving Ark’s objectives in this respect.

Long term cash flow forecasts and treasury management strategy will be included in the annual financial plan prepared for Board of Management approval.

Significant variations to cash flow forecasts will be reported to the Executive Team and to the Board of Management as part of Ark’s monthly management accounts reporting, highlighting any significant variations from the financial plan, and any impact on projected borrowing requirements, loan repayments, fixed rate maturities or surplus cash balances.

The annual reporting timetable is set out in section 8.0 (Reporting requirements and management information arrangements) below.

Ark has adopted a detailed risk management statement set out below (section 3.2 – 3.10) for each of the treasury management risks identified in the CIPFA Code as referred to as Treasury Management Practices (“TMPs”).

### 3.2 Lending and Deposit Counterparties

Ark will only borrow from, or lend to, institutions that meet the below criteria, after approval from the Board of Management.

#### **Lending Counterparties**

Ark may borrow from:

- Banks and building societies; authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, or their EU equivalent for European banks;
- Financial institutions (pension funds, insurance companies etc.) through public bond issues, private placements or bilateral loans;
- Bond aggregators such as The Housing Finance Corporation, GB Social Housing, MORhomes and bLEND
- Scottish Government supported initiatives such as the Allia C&C Bond programme.

Loan facilities will be arranged only with organisations that are judged to have sufficient financial strength to ensure that the funds committed under the facilities will be available as and when they are required by Ark in accordance with the terms of the loan agreement. This will normally mean that lending organisations are at least investment grade and are able to demonstrate a long-term commitment to the Scottish social housing sector and unless otherwise approved by the Board of Management, lenders must have minimum credit ratings of:

Credit Rating Agency	Minimum Short Term Rating	Minimum Long Term Rating
Moody's	P-1	A3
Standard & Poor's	A-1	A-
Fitch Ratings	F1	A-

### Investment and Deposit Counterparties

The overriding principle guiding the investment of surplus cash balances is the preservation of the capital value of Ark's resources.

The Director of Finance is authorised to deposit or invest funds only with institutions approved by the Board of Management as part of this procedure.

### Exposure

The Board of Management will set a limit for the amount that may be invested in any one institution at any point. If balances exceed £1m, no more than 60% may be invested in any one institution or banking group, and if balances exceed £2m, no more than 40% may be invested in any one institution or banking group. All deposits will have a maturity not exceeding 365 days. These limits apply to the cumulative total of cash invested by all Ark entities.

This excludes the value of funds that may be held in day-to-day banking accounts with the institutions providing a basic banking service and funds invested with local authorities.

The sole exception to the rule above will apply where Ark receives funds unexpectedly in which case deposits may be made with Ark's day-to-day bank for periods of up to 7 days, and promptly reported to the Executive Team and Board of Management.

### Creditworthiness

Ark will only invest in counterparties that meet one of the following criteria:

- UK banks and building societies that meet the credit ratings set out below and which are authorised by the Bank of England;
- AAA-rated Low Volatility Net Asset Value money market funds;
- UK and devolved governments and local authorities with credit ratings no lower than the UK Government's; or
- Any other institutions that may be specifically approved by the Board of Management on the basis of professional advice.

The Director of Finance is responsible for monitoring investment counterparties and ensuring that they meet these criteria.

Ark will only invest with or lend to institutions authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (or the appropriate supervisory body in the European Economic Area in which they are incorporated or formed), and subject to the minimum credit rating criteria:

Credit Rating Agency	Minimum Short Term Rating
Moody's	P-1
Standard & Poor's	A-1
Fitch Ratings	F1

Ark will also have regard to other information, such as stock market, regulatory and other public announcements; credit default swap prices; and stock market trends and fluctuations in assessing the credit risk of counterparties.

Should Ark have money invested with an institution which is subsequently downgraded by the credit agencies or where the credit default swap spread indicates that the market has concerns about the creditworthiness of the institution, so that it no longer achieves Ark's minimum creditworthiness criteria, the investment should be withdrawn from the institution upon maturity unless otherwise approved by the Board of Management as an exception to policy.

### **Environmental, Social and Governance Risk Considerations**

Ark is committed to being a responsible and sustainable social housing provider and it aims only to deal with treasury counterparties who share similar Environmental, Social and Governance ("ESG") objectives.

Existing and prospective counterparties will be required to provide the organisation with copies of their ESG strategies every 3 years. Where the Executive Team is not satisfied that a counterparty's ESG objectives and strategy are consistent with Ark's, then Ark will cease to place investments with that counterparty and in the case of lenders, alternative borrowing options will be considered.

### **3.3 Liquidity Risk Management**

Ark will ensure that it is able to meet its liabilities at all times. The Director of Finance will ensure that sufficient cash balances and available facilities exist for this purpose.

Ark will consider and manage liquidity in two ways:

- **Short-term Operational Liquidity**, which will ensure that sufficient liquidity is maintained to meet short term funding needs; and
- **Capital Funding Liquidity**, which will ensure that sufficient liquidity is maintained to fund projected commitments for 24 months from the current date.

The principal factor governing the exposure of surplus funds is Ark's liquidity forecast. Where surplus funds are required to meet possible cash outflows in the near future they will necessarily be deposited for short periods which will ensure that funds are available when required.

Operational Liquidity required is measured as one month's operational expenditure, including unavoidable:



- Staff and overhead costs;
- Revenue, void and major repair (including component replacement) costs; and
- Loan interest and repayments.

The measurement excludes all cash receipts except maturing bank deposits. The calculation should assume that grant and sales income does not occur when planned. The calculation will be reviewed and updated at least monthly. Operational liquidity must be equal to the forecast cash outflow for the next calendar month, plus a contingency (or ‘buffer’) of at least 50%.

Ark defines operational liquidity as including:

- Cash at bank;
- Cash on deposit which is available at no more than three days’ notice;
- Confirmed but undrawn overdraft facilities; and
- Where held, cash that can be realised from investment portfolios.

Capital Funding Liquidity required is measured as:

- All cash flow projected in the 24 months from the projection date, with the exception of any sales income and capital grant income, on the assumption that patterns of receipts and expenditure occur as projected.

Ark regards Capital Funding Liquidity as including:

- Cash at bank;
- Cash on deposit which is available at no more than three days’ notice;
- Confirmed but undrawn overdraft facilities;
- Housing Association Grant (“HAG”) agreed as part of committed project; and
- Where held, cash that can be realised from investment portfolios.

In considering availability of committed facilities, any forecast event which may influence Ark’s ability to drawdown must be taken into account.

The Board of Management will approve a minimum liquidity requirement as part of the annual financial strategy but will not approve a requirement which falls below the following minimum levels:

**Regardless of the levels of operational liquidity calculated, Ark will maintain a minimum cash balance (excluding all deposits and overdrafts) in instantly available bank accounts for each Group entity as set out below:**

Entity Name	Minimum Cash Balance
Ark Housing Association	£4,000,000
Ark Services Limited	£250,000
Ark Commercial Investment Limited	£5,000

### 3.4 Interest Rate Management

The TMS will consider the sensitivity of Ark's loan portfolio to interest rate changes in order to determine the proportion of debt to be secured on a variable basis. When drafting the TMS, the Director of Finance will consider the current levels of short-term and long-term interest rates and independent forecasts of future changes in interest rates, and prepare a recommendation for approval by the Board of Management on the maximum proportion of Ark's total borrowing which is subject to variable rates of interest. Unless otherwise approved by the Board of Management, Ark will ensure that the proportion of total outstanding debt, which is exposed to variable costs of funds, including bank and building society base, SONIA and index linked rates, is no higher than 40% at any one time. Debt which is on a fixed rate arrangement that expires in less than 12 months must be regarded as variable for this purpose.

Ark will manage its exposure to interest rate fluctuation with a view to containing its interest costs within the amounts provided in its financial plan and annual budget as approved by the Board of Management.

Ark will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest, and retaining the ability to adapt its borrowings and investments to changing circumstances.

### 3.5 Exchange Rate Management Strategy

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

### 3.6 Inflation

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

### 3.7 Exposure to Refinancing Risk

Ark's current loan portfolio is structured so as to ensure that it will be able to meet all repayments of principal under the loans as required under the relevant loan documentation, Ark complies with loan covenants and Ark is not exposed to significant refinancing risk, which is defined as no more than 25% of debt falling due for refinancing (including fixed rate arrangements maturing) in any 12 month period.

The Director of Finance will ensure that proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before the Board of Management 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 18 months should be allowed for completion of a new loan agreement and security with a new lender.

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

### 3.8 Legal and Regulatory Framework

The Director of Finance is responsible for ensuring that any borrowing or investment transaction is permitted by Ark's Rules and Financial Regulations [F01], and is not in breach of any applicable statutory or regulatory requirements, including but not limited to charity law, SHR requirements and FCA requirements. The Director of Finance is empowered to take appropriate external advice as required to satisfy this.

Ark maintains a robust system of internal controls, which operates where possible by the 'three lines of assurance' methodology. Staff involved in treasury management activity will be appropriately qualified and experienced, and qualifications and professional memberships 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.

The Director of Finance is responsible for ensuring that any accounting issues or concerns arising from a potential transaction (including but not limited to fair value accounting) are fully understood and explained to the Board of Management prior to approval of the transaction.

### 3.9 Operational Risk

Ark will ensure that it has identified the circumstances that may 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 wherever possible; regular independent audit of systems, controls and records; and appropriate qualification, training and development of staff.

### 3.10 Price Risk Management Risk

Price risk is defined as the risk that movements in the market price of investments will impact adversely on the value of Ark's investments. Ark will only make investments subject to price risk with the prior approval of the Board of Management, and after professional advice has been reported to and discussed by the Finance Sub-Committee. Movements in the value of investments will be monitored quarterly by the Director of Finance and reported to the Board of Management as part of the routine financial reporting process.

## 4.0 Performance Measurement

### 4.1 Existing Borrowing

The TMS will consider whether current loan arrangements continue to provide best value, or whether advantage might be taken from alternative sources or methods of finance. This review will take account of prevailing market conditions and the business circumstances of Ark. Comment on the findings will be made in the TMS.

### 4.2 New Borrowing

The Director of Finance will record the interest rate secured and other costs payable by Ark on any new borrowing that it takes from time-to-time in comparison with the general level of interest rates prevailing at the time that such loans are taken. This will include details of non-utilisation fees, management fees and legal costs. This will be reported to Board of Management in the annual TMS.

### 4.3 Treasury Investments

Where applicable, the Executive Team will, at least annually, review the level of returns being made on any investments held by Ark, with a view to assessing whether the current methods and instruments being utilised continue to represent good value for Ark. This will be reported in the TMS.

Consideration will be given in the review to alternative methods of investment and investment instruments, and whether they might be used to increase the level of return on investments within the process set by Ark in section 3.2 above (Lending and deposit counterparties). The assessment undertaken will include a comparison of the returns achieved by Ark with appropriate market comparators (including bank deposit rates) and will take into account other relevant factors, including management, dealing and transaction costs. Comment on the findings will be made in the TMS.

### 4.4 Externally Managed Investments

Performance reports for externally managed funds are received at least annually and preferably six monthly, and considered by the Finance Sub-Committee.

### 4.5 External Services

The TMS will report on external services provided in the previous year and contracted for in the forthcoming year. The Director of Finance is responsible for recommending any changes in the scope of service procured.

Best value in treasury management services will be ensured by tendering for these services on a periodic basis, in line with Ark's Procurement policy [F02]. In assessing the value added

by the providers of external services, account will be taken of all relevant factors, including the cost, quality, reliability and scope of service to be provided.

## 5.0 Decision-Making and Analysis

All treasury management decisions made during the year will be in accordance with the most recent TMS, unless specifically approved by the Board of Management, and in compliance with the Rules, Standing Orders [G06] and Financial Regulations [F01]. In making key decisions regarding its treasury management activities, Ark will ensure that proper consideration is given to all relevant factors. These will include:

- The powers of Ark and regulatory requirements;
- Budgetary constraints and financial plan projections;
- Financial covenants;
- Prevailing and forecast economic conditions; and
- Available funding and treasury management options.

Any key decision will be informed by an appropriately detailed written report, covering as appropriate, the areas identified above. Such reports will be compiled by the Director of Finance for consideration and decision by the Board of Management.

In compiling such reports, the 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 Ark's standing orders. The Director of Finance will be responsible for ensuring that the outcome of such decisions is effectively communicated to any officer of Ark who may be involved in implementing those decisions.

## 6.0 Approved Instruments, Methods and Techniques

### 6.1 Borrowings

The Director of Finance will maintain accurate, complete and up to date data on all treasury management instruments in an appropriate format. This will be presented to the Board of Management annually, with the TMS.

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

- Accurately reflects the terms and conditions agreed with lenders;
- Complies with applicable legislative and regulatory requirements; and
- Has been compiled by suitably qualified advisors.

Any new loan documentation must be approved by the Board of Management with the benefit of appropriate advice from officers of Ark, Ark's solicitors or other legal advisers, and other such specialist advice as the Board of Management may require. This power can be delegated, if need be, to an identified sub-group of the Board of Management, but only for reasons of efficiency and speed. Any such sub-group must include at least three Board of Management members, and their authority must be minuted and limited.

The Director of Finance will prepare a report to the Board of Management for approval which will include but not be limited to the following:

- The name of the proposed lender or arranger with brief details of their perceived experience and understanding of RSLs, and their credit rating (where applicable);
- Interest rate margin, fixed rate or underlying fixed or variable reference rate;
- Arrangement and other fees;
- Covenant requirements - including limits set for financial covenants and an analysis of Ark's ability to meet those limits;
- Security requirements - basis of valuation and level of cover and assets to be charged;
- Purpose (with cash flows if applicable);
- Comparison with alternatives;
- Compliance with TMS, Rules and regulatory and statutory requirements;
- Arrangements for drawdowns;
- Details of independent professional financial and legal advice, including confirmation of powers to enter into transaction; and
- Any other matters which might assist the Board of Management in considering the proposal, or are required by the lender, any advisor or any regulator to be brought to the Board of Management's attention.

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

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

## 6.2 Treasury Management Investments

The Executive Team has delegated authority to invest the surplus cash funds of Ark in accordance with the TMS and in accordance with the terms of this Procedure.

The following are approved investment instruments:

- Deposits with UK banks and building societies;
- Certificates of deposit issued by banks and building societies;
- Loans to local authorities with credit ratings no lower than the UK government's;

- UK, devolved government and local authority securities (treasury bills and gilts); and
- AAA rated Low Volatility Net Asset Value money market funds.

Any investments will only be made with organisations that meet the criteria set out at section 3.2 above (Lending and deposit counterparties).

Tradable instruments (second and forth bullet points above) will only be used where the intention is to hold them to maturity, except in the case of funds held in investment funds, which are managed by external fund managers. Ark will only use money brokers if approved by the Board of Management.

Transactions must be documented showing details of the counterparty, credit rating, trade date, settlement date, maturity date, and interest rate. The record of transactions will be reviewed periodically by the Director of Finance to ensure compliance with this procedure, and made available to auditors on demand.

Officers have a responsibility to keep abreast of market movements and developments. They may seek professional advice or subscribe to market information services for this purpose.

## 7.0 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements

Ark has drawn up and approved a scheme of delegation for the operation of the Treasury Management policy [F03], as set out below:

Delegated Power	Exercised By
Approval and amendment of Treasury Management Policy	Finance Sub-Committee
Approval and amendment of Treasury Management Procedure	Policy & Procedure Review Group
Review of Treasury Management Strategy	Finance Sub-Committee
Review of Treasury Management Risk Map	Audit Sub-Committee
Approval of Treasury Management Strategy	Board of Management
Application of approved strategy	Executive Team
Acceptance of loan offers, approval of loan agreements and granting of security	Board of Management
Acceptance of loan offers and arrangements for approved schemes, which cannot wait until the next Board meeting, and within delegated authority from the Board of Management	Chair or Vice Chair of Board of Management plus the Executive Team. Any action taken to be reported to the next Board meeting.
Drawdown of approved loan facilities in accordance with the TMS	Executive Team
Investment of surplus funds	Executive Team
Hedging and other interest rate management	Executive Team
Approval of bankers	Board of Management

The Director of Finance will be responsible for the provision of an adequate system of internal control. Where possible this will include segregation of duties between those placing deposits and those responsible for recording, checking, and confirming them. Where such segregation of duties is not possible, the Director of Finance will be responsible for the regular review of records and procedures to ensure compliance with this procedure (and corresponding policy).

## 8.0 Reporting Requirements and Management Information Arrangements

The Director of Finance reports to the Board of Management / Finance Sub-Committee on treasury activities as shown below:

Item	Frequency
Updated cash flow forecasts for 60 months from the report date.	Quarterly
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.	Annually
TMS incorporating five year cash flow forecasts, with associated borrowing and interest rate strategy; projected liquidity and funding needs; covenant projections; business plan assumptions; and funding market and options.	Annually, by 31 August
<p>Annual treasury management report, summarising loan and deposit movements in the preceding financial year, and confirming:</p> <ul style="list-style-type: none"> <li>• covenant compliance at the financial year end;</li> <li>• compliance with the treasury management policy / procedure;</li> <li>• submission of all required reports and returns to the SHR and lenders; and</li> <li>• any relevant internal audit reports.</li> </ul>	<p>In the first quarter of the new financial year, and before Audit Sub-Committee / Board of Management consideration of the Statement of Internal Financial Control and SHR Annual Assurance Statement.</p> <p>This may be included within the TMS.</p>

Separately, the Director of Finance will report to the Finance Sub-Committee on submission of any required reports to lenders. This will include (but is not limited to) management accounts; audited accounts and associated audit reports; five-year financial plan and forecasts; covenant compliance certificates; valuation reports.



## 9.0 Budgeting, Accounting and Audit Arrangements

Treasury management activity will be subject to internal audit review at agreed intervals, with the Audit Sub-Committee receiving a report from the internal auditors.

## 10.0 Cash and Cash Flow Management

Ark annually prepares a 30-year financial plan, covering all the activities of the Association and its subsidiaries. This includes a 30-year cash flow forecast, incorporating current borrowing arrangements and identifying projected borrowing needs and investment opportunities.

Based on this, the Director of Finance will prepare a detailed forecast for a period of 60 months, projecting income and expenditure quarterly. This will inform the TMS, and form the basis for planning and arranging any new borrowing required.

The cash flow projection will be updated quarterly and reported with the management accounts to the Finance Sub-Committee and Board of Management, highlighting changes from the previous projection, explaining how they affect future borrowing requirements and highlighting any increased treasury risks, such as liquidity or covenant compliance.

## 11.0 Money Laundering

Ark has adopted a policy based on SFHA (as part of UK Housing Federations) guidance on money laundering, and which will be updated in line with any updated guidance. In addition, the Treasury Management Policy [F03] imposes the requirements set out below.

No loan shall be taken from, nor any deposit made with, any organisation or individual without the prior written approval of the Director of Finance, or which does not comply with Ark's lending or investment criteria at section 3.1 above. In granting consent to a loan to, or deposit from a new organisation or individual, the Director of Finance will ensure that the identity and credentials of such individual or organisation have been appropriately ascertained and verified. The Director of Finance will maintain a written record of such verification and the details provided by the organisation or individual.

Details of any proposal in relation to a loan from or deposit to any organisation or individual other than in the normal course of RSL business will be reported as soon as possible to the Director of Finance.

The Director of Finance is responsible for taking reasonable steps to ensure that all staff dealing with any element of Ark's cash flow are appropriately alert to the possibility of attempts being made to use Ark for money laundering purposes. Such staff will also be made aware of the requirement to report suspicions of money laundering to the Chief Executive Officer or other member of the Executive Team.

Where the Chief Executive or member of the Executive Team is satisfied that a suspicion of money laundering does exist, these will be reported to the appropriate authorities in the form they require.

## 12.0 Training and Qualifications

Ark 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 if required.

At a minimum, it is expected that the Director of Finance will be Consultative Committee of Accounting Bodies (“CCAB”) qualified and have maintained their professional membership and Continuous Professional Development (“CPD”). Qualifications and memberships of new staff will be verified before employment is confirmed.

## 13.0 Use of External Service Providers

### 13.1 Bankers

Ark’s lead banking provider is Royal Bank of Scotland plc (“RBS”). Performance and value for money of banking services will be reviewed at least every five years, and, if the Board of Management considers it appropriate, retendered.

Approval to appoint new bankers is reserved to Ark’s Board of Management.

### 13.2 Treasury Management Advisers

Ark may appoint external professional advisors on an ongoing and/or one-off basis. Any appointment must be in line with Ark’s Procurement policy [F02]. Any procurement exercise would be overseen by the Director of Finance.

## 14.0 Corporate Governance

Ark is constituted as a not-for-profit body. It is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No. 1899) under the Cooperative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No. 66) under the Housing (Scotland) Act 2010 and as a registered Scottish Charity with the charity number SC015694. It is governed by an independent Board elected by its membership, referred to as the Board of Management.

The Board of Management of Ark maintains a committee structure which includes a Finance Sub-Committee and Audit Sub-Committee. The remit of each is set out in formal committee remit documentation 'Standing Orders' [G06].

The Finance Sub-Committee provides detailed oversight of financial performance, planning and reporting. It has certain decision-making powers in these areas delegated by the Board of Management. It includes Board of Management members with appropriate skills, qualifications and experience for the remit of the committee.

The Audit Sub-Committee provides structured, systematic oversight of Ark's governance, risk management, and internal control practices. The Audit Sub-Committee reviews these and provides the Board of Management with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to those practices, including from external and internal audit. The Chair of the Board of Management cannot be a member of the Audit Sub-Committee, but may attend meetings of, if invited by the Chair of the Audit Sub-Committee. External and internal audit providers have a right of direct access to the Audit Sub-Committee, without reference to the Chair of the board, the Chief Executive or other members of Ark's Executive Team.

## 15.0 Implementation and Review

### 15.1 Implementation

The Director of Finance is responsible for ensuring that this procedure, and the policy that supports it, is followed by board members and employees with treasury management responsibility.

### 15.2 Review

The Director of Finance will ensure that this procedure is reviewed at least every three years.