



## Investment Policy

**Status: APPROVED**

<b>Policy Lead :</b>	Executive Director – Business Support
<b>Owned By :</b>	Executive Director – Business Support
<b>Date Approved:</b>	March 2025
<b>Approved By :</b>	BHA Board
<b>Review Date:</b>	March 2028
<b>Regulatory / Legislative Considerations/ References</b>	
<b>Other Documents to be read in conjunction with this policy :</b>	<ul style="list-style-type: none"><li>• Scheme of Delegation</li><li>• Standing Orders</li><li>• Financial Regulations</li><li>• Treasury Management Policy and Strategy</li><li>• Procurement Policy</li><li>• Value for Money Policy</li></ul>

<b>Policy Title:</b>	Investment Policy
<b>Purpose / Aim of policy:</b>	The aim of this Policy is to provide the reader with how we make investment decisions at BHA aligned with our strategic aims and undertaken and assessed in the best interests of BHA and its customers.
<b>Scope of Policy:</b>	This policy aims to provide our approach to assessing investment decisions as a social housing landlord. This is in line with our responsibilities under the Regulatory Standards.
<b>Definitions:</b>	N/A
<b>Specific detail related to each strand in the scope:</b>	N/A
<b>Approval Source:</b>	BHA Board
<b>Equality Impact Assessment:</b>	Any specific investment appraisal undertaken will also, as part of the business case, provide an Equality Impact Assessment. A specific equalities impact assessment has not been carried out for this policy. Any investment decision will always be in accordance with Berwickshire Housing Association's policy on Equal Opportunities and Diversity.
<b>Glossary of Terms</b>	N/A
<b>Risk Implications:</b>	All associated financial and strategic risks will be assessed through individual investment case papers and have not been directly addressed within the context of this Policy.

## 1. INTRODUCTION

1.1 BHA invest to achieve best value for its customers. In measuring this value we need to have a blended value proposition i.e. recognise that value can be social, environmental, or economic. The optimum investment is one that acknowledges the reality of a blend of economic, environmental, and social value and attempts to maximise total returns for either BHA, its customers or both.

1.2 As part of our Regulatory requirement, as per below, we are required to ensure that our resources are put to the most effective use and our investments are undertaken that achieve the strategic aims of the organisation, without comprising affordability for our customers:

### *Standard 3*

*The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay*

1.3 Within our investment decisions we want to limit the amount of borrowing that we take on and/or we may be limited in our ability to raise new finance to fund capital plans. For this reason, we assume that there are restrictions on what capital we do have to invest.

1.4 We do not invest without understanding the likely financial impact of that investment. We model planned major investments in our long-term financial planning model (Brixx) to evidence our continued expected financial sustainability, that we have the necessary funding and ability to repay those funds, and to monitor the impact on loan covenants. We assess our financial viability by modelling different scenarios and by carrying out sensitivity analysis.

1.5 For other investment decisions we will use measures such as net present value, payback period, and internal rate of return to understand the financial impact of investments and to rank competing investments. However, we recognise these are only measures of economic value and do not directly consider environmental or social value. Where necessary and appropriate, BHA will review investment decisions and their social impact utilising a range of qualitative and quantitative measures.

1.6 We aim to achieve Value for Money (VfM) through every investment decision, which are designed to implement or help execute an approved strategy.

1.7 We are conscious in making investment decisions that there is an opportunity cost in making investments i.e., if we make one investment, we may not have the means to make an alternative investment and so we plan to make all investments in the long-term best interests of BHA.

1.8 We accept that it's impossible to eliminate all risks from strategic decision making although we always try to manage risk as appropriate. Where applicable any associated risks will be considered as part of any investment decision and any additional financial impacts also considered.

1.9 Investment decisions in BHA can be difficult decisions because it is not always possible to quantify the costs and benefits of a project. For this reason, we need

some flexibility in how we make these decisions.

## **2. THE BASE CASE**

- 2.1. The starting point for considering major capital investment is our Brixx model and our “base case” as used in our Five-Year Financial Projections. This evidences our financial capacity using assumptions that we consider to be the most likely assumptions that apply to our business. We then apply sensitivity analysis and scenario planning to test the robustness of our financial position with additional investment and under different scenarios.

## **3. INVESTMENT CASE**

- 3.1. All planned investments of greater than £25,000 require Board or Committee (with delegated authority) approval. This will often be through the annual cycle of business planning and budgeting approvals. Alternatively, a separate paper will be brought during the year if not included in the approved budget. Investments of this nature will normally either come via a request for change (system or process linked) or will relate to additions or changes to our asset investment programmes.
- 3.2. Depending on their nature, investments of this size should have suitable investment analysis undertaken. Alongside the outputs of this, other areas for consideration in the investment case will include financial capacity, resource availability, risks, and dependencies. The outputs of these assessments will be translated into a project plan and budget