



Treasury Management Policy

Reviewed January 2022

Next Review January 2025

General Strategy and Background

The continuing uncertainty in global financial markets emphasises the importance of treasury management to Yorkhill Housing Association. The Association recognises the importance of cash management and the administration and compliance with the terms set out in its loans with current lenders.

The Management Committee is aware that the treasury function exists to ensure that its financial assets are safeguarded and financial risks are identified and managed in accordance with the objectives of Yorkhill Housing Association which include minimising the risk to tenants and protecting its assets.

The underlying principle that shapes the Treasury Management Policy is that the Management Committee is risk-averse.

It is the responsibility of the Finance Manager to ensure that the Management Committee is provided with a written assurance on a quarterly basis that the Policy is being adhered to and that the covenants and information requirements set out in the loan documents are being complied with.

The Senior Management of the Association will not be permitted to act outside the guidelines contained in this Policy and are accountable, at all times, to the Management Committee for their actions and decisions.

1 Introduction

1.1 The Treasury Management Policy defines the policies and objectives of our treasury management activities. The policy is based upon the recommendations of the Code of practise on Treasury Management issued by the Chartered Institute of Public Finance Accountancy (CIPFA) (2017 Edition).

1.2 The code identifies three key principles:

- 1) The Association should put in place formal and comprehensive objectives, policies and practises, strategies and reporting arrangements for the effective management and control of its treasury management activities.
- 2) The policies and procedures should make clear that the effective management and control of risk are prime objectives of the Associations treasury management activities and that the responsibility clearly lies within the organisation. The appetite for risk should form part of the annual strategy including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- 3) The Association should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures are valid and important tools for responsible organisations to employ in support of their business and service objectives, and that, within the context of effective risk management, the treasury management policies and practises should reflect this.

1.3 The undernoted Scottish Housing Regulator's Regulatory Standards are those which govern our Treasury Management activities:

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) RS3.1 - The RSL has effective financial and treasury management controls and procedures to achieve the right balance between costs and outcomes and controls costs effectively. The RSL ensures security of assets, the proper use of public and private.
- 2) RS3. 2 - The governing body fully understands the implications of the treasury management strategy it adopts, ensures that this is in the best interests of the RSL and that it understands the associated risks.
- 3) RS3.5 - The RSL monitors, reports and complies with any covenants it has agreed with funders. The governing assesses the risks of these not being complied with and takes appropriate action to mitigate and manage them.

In addition the SHR guidance (August 2015) contains the regulatory expectation that an RSL will comply with the CIPFA code.

2 Treasury Management Policy Statement

2.1 The Association defines its treasury management activities as:

The management of the organisation's borrowings, investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

In order to minimise the risk, the Association ensures the Treasury Management procedures are reviewed regularly and that all personnel are aware of their contribution to compliance and to the efficient and effective running of the Association. Furthermore, methods of validation and ensuring probity include an annual external audit, regular internal audit and reports to members and The Scottish Housing Regulator.

The main areas of borrowing risk are: -

Interest Rate Risks

Interest rate risk exposure arises when a change in interest rates has the potential to affect the value of an RSL's assets and liabilities. Too much variable rate debt means increasing interest rates result in higher interest payments and repayment costs. Conversely, too much fixed debt can result in opportunity losses because the Association cannot benefit from improving rates.

The main danger of interest rate risk is that the Association could face liquidity problems servicing debt as well as breaching lenders' covenants on interest cover percentages.

Inflation risk can impact on the Association's Treasury Management activities through the link with interest rate management. If the rate of inflation increases less than forecasted while fixed rate loan costs remain stable there is a real cost to the Association in terms of low inflation.

An appropriate hedging strategy will assist in minimising any adverse effects caused by increases in interest rates.

Liquidity Risk

This risk is where the Association has insufficient cash to meet its liabilities as they fall due. In this respect the Association will ensure that it has adequate, though not excessive, cash resources and borrowing arrangements at all times as are necessary for the achievement of its business objectives.

The use of monthly cash flow projections, together with appropriate monitoring, shall assist in reducing this risk. Consider diversification into long and short term investments.

Funding and Refinancing Risk

This is the risk that debt may mature and need refinancing when interest rates are higher than the original debt.

Regular forecasts of future interest rates should be undertaken, realistically this may be quite difficult over medium to long term. Ensuring that the maturity dates of debt are well spread so that there is not a large proportion of debt due to mature at one time.

Failure of Internal Control Systems

The risk of inadequate systems of control, reporting and performance measurement is not specific to Treasury Management. The Association is required to ensure that measures are in place to manage its overall exposure to risk in this area. This would include the risk of exposure to fraud, error and corruption. Accordingly, the Association will employ suitable systems and procedures and will maintain effective contingency management arrangements.

Regular reviews and documentation of financial practices and internal audits shall contribute towards reducing the potential for such risks.

Fraud, Error and Corruption

This is the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error or corruption in its treasury management dealings, and fails to employ suitable systems and procedures to those ends.

Segregation of duties would involve ensuring that a different person was responsible for carrying out separate activities within a process.

Soft covenants

It must be borne in mind that a loan agreement can be broken, not just by a breach of covenants, but also by failing to meet deadlines, clauses or by failing to provide documentary evidence. It is now usual for companies to set up a calendar with all loan requirements and trigger dates for compliance such as insurance schedules, 5-year stock condition survey, annual valuation and quarterly returns.

The introduction of a check list for compliance with loan conditions, together with comprehensive records of contractual responsibilities and liabilities, should avoid such risks materialising.

The main areas of investment risk are:-

Risk of default by an Institution

This is where funds are deposited in a financial institution and are subsequently defaulted upon. This risk would previously have been regarded as low given the regulation of this area by the Prudential Regulation Authority (PRA, replacing FCA) and Bank of England but an increased awareness is required given all issues attaching to the current economic climate.

The Association regards a key objective of its treasury management activities to be the security of the principal sum it invests and the regular review of market data and commentaries and credit

rating information shall assist in negating such risks. The association shall diversify across a number of counterparties with high credit ratings.

Funds are invested for too long a term and liabilities fall due

This is where funds are invested in say a 6 month no access account and liabilities fall due by the Association which requires these funds to settle.

The inclusion of accurate detailed cash-flow projections within the annual budget document, quarterly cash flow updates with the Management Accounts, appropriate budget monitoring and the regular updating of the long-term projections should assist in limiting this risk.

Legal and Regulatory Risk

The risk that the Association itself, or an organisation with which it is dealing in its Treasury management activities, fails to act in accordance with its legal powers or Regulatory requirements, and that the Association suffers losses accordingly.

Legal advice, where appropriate, and regular monitoring of regulation advice and guidance, shall assist in reducing this risk. Management should be attend seminars and regular training events to receive relevant updates.

The Association recognises that future legislative or regulatory changes may impact on its treasury management activities and, as far as it is reasonably able to do so, will seek to minimise the risks of these impacting adversely on the organisation.

- 2.2 Yorkhill Housing Association regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the reporting of treasury management activities will focus on risk implications for the Association.
- 2.3 The Association 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 employing suitable performance measurement techniques.

2.4 Yorkhill Housing Association's treasury management policies will be subject to regular review and the Association has in place a system of effective compliance monitoring and regular reporting to its Management Committee.

3 Management Committee Control

3.1 The fundamental principle of this policy is that overall control of the Association's treasury management rests with the Management Committee.

3.2 Whilst the day-to-day administration and control will be delegated to the Senior Management of the Association, the contents of this document can only be amended with the approval of the Management Committee.

3.3 Control by the Management Committee will be carried out through the appropriate controls and reporting procedures outlined in this document.

3.4 The Management Committee, in delegating the day-to-day operating of this policy, will ensure that the Senior Management involved are suitably qualified to undertake the responsibilities entrusted through both its recruitment and training policies.

3.5 The Management Committee will obtain independent advice from a suitably qualified person, authorised and regulated by the Financial Conduct Authority before entering into any derivatives transactions.

3.6 The Senior Management of the Association have no delegated authority to commit the Association to loan facilities. Their role is to consider the market and make recommendations. Only the Management Committee has the authority to commit the Association to borrowing facilities.

3.7 The Treasury Management Policy will be reviewed every three years by the Management Committee and approved in accordance with financial procedures.

Delegated Authorities are set out in Appendix A.

4. General Principles

- 4.1 The overriding aim of this Policy will be to ensure that at all times the Association will not be exposed to undue risk. This applies equally to both its investment and borrowing strategy.
- 4.2 The Association will also pursue a policy of maximising the interest it receives on the money it invests and of minimising the interest it pays on money borrowed. These objectives however will be secondary to the policy of minimising risk. The Association will also ensure that a proper system of internal controls exists to safeguard its assets.
- 4.3 The Association must ensure that at all times value for money is being obtained. This will be achieved by examining all the costs and benefits relating to the decision to be made relating to investment or securing finance.
- 4.4 In pursuing the above objectives, the Association will restrict its investing and borrowing activities to the list of approved institutions detailed in **Appendix B** and **Appendix C** respectively.
- 4.5 In following this Policy, the Management Committee and the Senior Management of the Association must at all times give consideration to the Rules of the Association, the terms of their current loan agreements, conditions of deposits, the regulations and guidelines of Scottish Housing Regulator, The Scottish Government, OSCR, The Financial Services Authority Statute and the Common Law of Scotland.
- 4.6 The Association will at all times ensure that they have access to sufficient resources to meet their ongoing obligations.

5 Approved Activities

- 5.1 The primary investment objective is to optimise returns to the Association while meeting the overriding need to protect its capital.

- 5.2 The borrowing objective is to keep the cost to a minimum consistent with the need to ensure stability of the Association's longer-term financial position.
- 5.3 The Rules of the Association allow Yorkhill Housing Association to borrow up to £200,000,000. However, borrowing limits will, in practice, be based on the continued financial strength of the Association, its ability to repay loans, available asset cover and satisfactory loan and covenant terms.
- 5.4 The Association may enter into risk management arrangements within the framework of existing or future borrowing facilities, including periodic fixing of interest rates and/or arrangements to cap interest rates or create an interest rate collar.
- 5.5 Investment activity will be restricted to placing money on deposit for a maximum fixed term of 24 months and investment in UK 'gilt-edged securities' ("gilts" - UK Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange) which mature within a maximum period of 24 months.
- 5.6 The Association will not undertake currency risk and accordingly will not borrow or deposit funds denominated in foreign currency.

6 Treasury Management Annual Review

- 6.1 The Association's strategy for the application and adherence to its treasury policy will be set out in the Treasury Management Annual Review prepared by the Finance Manager.

- 6.2 The annual Treasury Management review will highlight any funding or investment decisions that are required to be made. In addition, detail about compliance with lenders covenant and information requirements will be included.
- 6.3 The review will comment on the effectiveness of the strategy and any recommendations for change. The performance of the treasury management function will be reviewed based on the effects of the decisions taken and the transactions executed in the last year.

7 Investment Strategy

- 7.1 The Investment Strategy should initially be approved by the Committee of Management and forms part of the overall strategic plan of the Association. The Strategy will be subject to an ongoing review. To this end, the Management Committee will obtain a quarterly report on the activities of the Association from the Finance Manager, and also an annual report commenting on the effectiveness of the strategy.

The day-to-day operation of the Investment Strategy will rest with Senior Management of the Association. They must, however, be accountable at all times for their actions to the Management Committee.

7.2 Authorised Investments

In balancing risk against return, the Association is more concerned to avoid risk than to maximise return. The overriding principle guiding the investment of surplus cash is the preservation of the capital value of the Association's resources.

Deposits should only be placed with institutions which have ratings which satisfy the following criteria from at least two of the three recognised credit rating agencies (Moody's, Fitch and Standard and Poor's):

- **Moody's** - 'P-1' - Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

- **Fitch** - 'F1' - Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.
- **Standard & Poor's** – 'A-1' - An obligor rated 'A-1' has STRONG capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's.

Possibly, now, or in the future if banks are downgraded so that they no longer satisfy the criteria, housing associations' governing bodies may wish to reassess their criteria, to allow deposits to be placed with institutions which are one 'notch' down for short-term ratings with the three credit rating agencies.

The Association's funds will be invested in cash deposits at variable and fixed rates of interest held in UK banks and building societies as detailed in **Appendix B**. Cash may also be invested in gilts for capital security purposes and to achieve a 'risk-free' rate of return. (The Committee is aware that gilt prices are subject to fluctuation but pay a guaranteed price at maturity). Any alteration to the list of authorised institutions for investment purposes can be made only with the approval of the Management Committee.

The Finance Manager will monitor the credit worthiness of approved deposit-takers, set out at **Appendix B** bearing in mind that a limit of only £85,000 per authorised institution is covered under the terms of the Financial Services Compensation Scheme (FSCS).

Sensible judgement should prevail in deciding whether to immediately remove the Association's funds from fixed-term or notice deposit accounts (if indeed it is possible to do so prematurely) of an approved deposit-taker listed at **Appendix B**, should its credit ratings fall below the minimum criteria set out above. Certainly, funds should be removed, at the very latest, at the end of the fixed-term (should it continue to fail to satisfy the minimum criteria at that time), or immediate notice should be given.

Credit ratings will be a key source of information but it is important to recognise that they have their limitations. The Association should also make use of generally available market information including quality financial press, market data and information on government support for banks.

If information becomes available which causes concern as to the deposit-taker's ability to meet its financial commitments, regardless of its credit ratings, the Association should take all possible steps to repatriate its funds and place them with an institution it considers to be safer.

7.3 Operational Limits / Exposure

- 1) Apart from in exceptional circumstances and with the approval of the Management Committee, the maximum investment with any individual financial institution should not exceed 50% of total liquid funds. The exception being when money on deposit is transferred back to the main business account, the above limit should be achieved within 10 working days.

The above limit does not apply to gilts. The Association has the ability to fully invest, or as much as practically so, having regard to day-to-day financing and liquidity needs, in gilts (with maturities of two years or less), either for their prospective returns, or as a tactical decision due to concerns over the stability of the UK banking system.

- 2) The Association will ensure that there is sufficient liquidity in the working capital account (referring to cash flow projections) before deciding on the amount of funds available for investment.
- 3) The Association will ensure that funds are transferred on a timely basis to and from its investments.
- 4) Before any investment is made, a minimum of three of the authorised investment institutions must be approached. Terms and interest rates offered must be assessed and recorded by the Finance Manager.
- 5) Deposits should be placed to receive the most favourable terms while maintaining the appropriate spread of investment.
- 6) Deposits will be placed with any given institution up to a maximum and not exceeding 365 days.

8 Borrowing Strategy

8.1 Authorised Borrowing

In undertaking borrowing activities, the Association will borrow from UK banks and building societies which are experienced in the sector, as detailed in **Appendix C**. Preference should be given to the lenders on the approved list, however the Finance Manager can propose, with justification, the addition of a new lender to the list. Any alteration to the list of approved lenders can be made only with the approval of the Management Committee.

8.2 Operational Limits/ Exposure

The borrowing of the Association is determined as follows:

- 1) The maximum amount of borrowing will be restricted by the rules of the Association (the limit is set at £200,000,000), lending covenants, ability to repay the loan and asset cover. This will be tested through cash flow, balance sheet and income & expenditure projections.
- 2) Yorkhill Housing Association has not set a minimum percentage level of borrowing to be secured at a fixed rate of interest at this time to take advantage of the historically-low bank base rate. Exposure to variable and fixed rates of interest will be carefully considered throughout the loan period taking into account both the economic conditions prevailing at the time and Yorkhill Housing Association overall loan portfolio.
- 3) The Association will provide security over property to the value agreed with the lender. The Association will offer the minimum amount of security required by a lender to secure the required private finance.
- 4) Before the borrowing is made, a minimum of three of the authorised lending institutions must be approached and terms, covenants, and interest rates offered must be considered and compared.
- 5) All borrowing must have the prior approval of the Committee of Management.
- 6) Final decisions on interest rates, loan terms and conditions of borrowing may be delegated to the Senior Management of the Association with all decisions ratified at the

next Management Committee Meeting. The Senior Management are accountable at all times for their actions to the Management Committee.

8.3 In the case of all proposed borrowing, the Finance Manager will prepare a report for the Management Committee seeking its agreement and a recommendation containing the information set out in **Appendix C**.

9 Interest Rate Exposure

The Association may use derivative products (caps, collars and interest rate swaps) to hedge against interest rate risk. The Association will adopt the procedural framework for the use of derivatives as detailed in SHR Treasury Management Guidance. Before any derivative contracts are entered into by the Association, appropriate advice from a suitably qualified advisor, authorised and regulated by the Financial Conduct Authority (FCA), will be obtained.

10 Review and Reporting

10.1 Quarterly Reporting

The Finance Manager will prepare a quarterly Treasury Management update to the Governance and Finance Sub-Committee on the treasury management activities of the Association.

10.2 Annual Report

The Finance Manager will prepare an annual Treasury Management Report for the Management Committee which will comment on the effectiveness of the strategy with any recommendations for change to be considered.

The annual report on Treasury Management operations must provide information on the following:

- 1) Details of current lenders.
- 2) Loan balances outstanding per lender.
- 3) Loan terms.

- 4) Expected settlement date.
- 5) Mix of fixed and variable rate finance.
- 6) Security cover provided details of 'excess' security per lender and basis of valuation.
- 7) Covenant Compliance.
- 8) Comparison of covenant compliance between last two years.
- 9) Unencumbered stock and indicative valuation.
- 10) Future proposed borrowing for financial year ahead.
- 11) Interest earnings from investment of surplus funds.
- 12) Forecasted cash flows contained within annual budget and 5 year plans submitted to regulator. Confirmation of no liquidity or covenant compliance issues.
- 13) Market view of future interest rates over the next 12-36 months.
- 14) A review of the approved sources of finance with reasons behind the recommendations.
- 15) Any value for money considerations and benefits attaching to the treasury management function.
- 16) Compliance with policy.

11 Legal Matters

Prior to entering any borrowing or investment transactions the Association will seek appropriate legal advice to ensure that the proposed transactions do not breach any statute, external regulation or the Association's own financial regulations.

12 Other Matters

- 12.1 The Association's banking facilities are currently held with the Bank of Scotland Service and levels and charges shall be reviewed on a regular basis by the Finance Manager.
- 12.2 The Finance Manager shall maintain regular contact with all funders and shall ensure provision of up to date and accurate information on the financial status of the Association in a timeous manner.

- 12.3 The Finance Manager shall ensure they have access to financial market commentaries and reviews on the likely future courses of interest and inflation rates to enable the Association to assess future treasury risks and scenarios and to permit the effective management and control and development of suitable risk management strategies.
- 12.4 The Association is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff receive proper awareness training in this regard.
- 12.5 The Association must at all times, in carrying out the treasury management function, give consideration to the Rules of the Association, all applicable legislation, its Financial Regulations and Standing Orders, all existing loan agreements and guidelines issued by SHR, OSCR, FCA and the Scottish Government as appropriate.
- 12.6 The Association is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its treasury management activities will be undertaken with openness and transparency, honesty, integrity and accountability. The Association has adopted and implemented the key principles of the CIPFA Code of Practice. This, together with the other arrangements detailed in this policy, is considered vital to the achievement of proper corporate governance in treasury management.

Conclusions

In implementing the guidelines as set out above, the following outcomes will be achieved:

- 1) The Management Committee will have overall control of policy issues relating to treasury management.
- 2) The Senior Management of the Association will have reasonable freedom to pursue the operational, tactical and strategic aims of the Association within the framework established by the Management Committee.

- 3) Control and reporting procedures will be established to keep the Management Committee fully informed of treasury management activities and developments.
- 4) The Association will benefit from increased capital security and more efficient control of financial assets.
- 5) A formal review will be implemented to review Treasury Policy, strategy and procedures on at least an annual basis. This will ensure that risks are reviewed as market and economic conditions change.
- 6) Ensure compliance with lenders covenants and information requirements.

APPENDIX A

DELEGATED AUTHORITIES

Management Committee

The Management Committee will be responsible for:

- 1) Approving the Treasury Management Policy and subsequent amendments.
- 2) Approving loans (overdrafts or long term) and investment of surplus funds.
- 3) Agreeing staff responsibility and accountability for investing raising loans and approving the procedures to be adhered to.
- 4) Agreeing the policy on interest rate exposure and how to respond to different interest rate regimes than that forecast.
- 5) Approving the annual treasury management strategy.
- 6) Noting the quarterly treasury management policy to ensure treasury management decisions comply with agreed policy and procedures. Approving any amendment to the strategy should it be appropriate to minimise risks.

Senior Management

The following powers are delegated to Senior Management:

- 1) The day-to-day administration of this strategy will be delegated from the Management Committee to the Senior Management of the Association.
- 2) Making recommendations to the Management Committee regarding treasury management strategy.
- 3) Making recommendations to the Committee regarding the procurement of private finance and investment of surplus funds.
- 4) Ensuring compliance with loan covenants and information requirements.

- 5) Ensuring an effective system of internal controls exist to safeguard the assets of the Association. The Finance Manager will be responsible for checking and monitoring the bank balances on a daily basis and report immediately to the Chief Executive of any inaccuracies or irregularities.
- 6) The investment levels and the Senior Management delegated to authorise the investment decisions are the Chief Executive and the Director of Property Services.
- 7) The Associations staff members are not be permitted to act outside the guidelines contained in this policy and are accountable at all times to the management committee for their actions and decisions.

APPENDIX B

APPROVED INVESTMENT INSTITUTIONS

UK Government Securities (UK Gilts)

Bank of Scotland

Barclays Bank

HSBC

Lloyds TSB

Santander UK

The Nationwide Building Society

The list of approved financial institutions has been shortlisted from the institutions with a UK banking licence.

The credit worthiness of approved counterparties will be monitored by the Finance Manager. Any impairment to the credit worthiness of the approved counterparties will be advised to the Management Committee.

APPENDIX C

APPROVED SOURCES OF PRIVATE FINANCE

Bank of Scotland
Barclays Bank
CAF Bank
Charity Bank
Clydesdale Bank
Lloyds TSB
Nationwide Building Society
Royal Bank of Scotland
Santander UK
Triodos Bank
Unity Bank

The above list may be amended, with approval from the Management Committee, should other lenders enter into the market offering loan finance to Registered Social Landlords on attractive terms.

Methodology

In the case of all proposed borrowing, the Finance Manager will prepare a report for the Management Committee seeking its agreement and a recommendation containing the following information:

- 1) The name(s) of the proposed lender(s) with a brief description of experience.
- 2) Where applicable, the proposed lender(s) credit ratings.
- 3) Details of the interest bases permitted under the proposed facility.
- 4) The level of lender's margin.
- 5) Borrowing Requirements including period of financing
- 6) Details of arrangement and non-utilization fees, legal costs, valuation fees etc.
- 7) Assessment of documentation (including margin review and early repayment clauses

- 8) Details of financial covenant requirements and all other restrictions
- 9) Repayment options and costs

- 10) Details of asset cover required.
- 11) Information requirements and understanding of housing sector.
- 12) Details of security arrangements.
- 13) Comparison with alternative lenders and a cost benefit analysis.
- 14) The implications of fixed rate arrangements (including breakage costs)
- 15) Arrangements for draw downs.
- 16) Capital repayment details
- 17) Details of independent financial, legal and other advice.
- 18) Any other matters that will assist the Management Committee in arriving at its decision.

Careful consideration will be given to covenant and information requirements of new lending to ensure ongoing compliance with existing covenants. Committee will continue to be informed about the importance of covenant compliance and the implications of a breach.

The credit worthiness of approved counterparties will be monitored by the Finance Manager. Any impairment to the credit worthiness of the approved counterparties will be advised to the Management Committee.

APPENDIX D

MATTERS TO BE INCLUDED IN TREASURY MANAGEMENT REVIEW

- 1) Forecast cash flows for the next financial year and for the next 30 financial years. The cash flows demonstrate ability to repay long term debt within the agreed timescale and sensitivity analysis. Careful consideration should be given when producing estimates given the uncertainty and risk involved in making future cash projections.
- 2) Details of principal borrowing maturities over the next 30 financial years.
- 3) Confirm arrangements for internal audit procedures and detail any issues arising from external audit for treasury management
- 4) Analysis of present levels of short term and long term interest rates, comparison with historical trends and estimated trend movements in the interest rates over the next financial year.
- 5) Details of free security and ability to drawdown additional private finance.
- 6) Proposals for information, action or approval:
 - maximum short-term borrowing (if any) included in total maximum outstanding borrowing
 - maximum proportion of loan interest payable on variable rate borrowing and full diversification between fixed and variable rates
 - timetable for revaluations as set out in loan agreements
 - details of lending covenants
 - confirmation that lending covenants are complied with (calculations to be done on the same basis as loan agreements)
 - confirmation that lending information requirements are met
 - details of correspondence or meetings with lenders
- 7) In respect of surplus funds:
 - the extent to which surplus funds are earmarked for short term requirements and the proposed strategy

- the extent to which surplus funds are earmarked to fund major repairs and the proposed strategy
 - the extent to which surplus funds should be held available to meet contingencies and the proposed strategy
 - the revenue effect of the proposed strategy
- 8) Proposals for amendments and annual review to the Treasury Management Policy.