



REIDVALE HOUSING ASSOCIATION

Treasury Management Policy

Policy Number	
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POLICY SUMMARY

Purpose:	The purpose of this policy is to establish the Association's responsibility for sound treasury management
Legislation/Guidance:	The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014, and is regulated by the Financial Conduct Authority (FCA). RHA Financial Regulations and Procedures Code of Practice on Treasury in the Public Services issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (2021 Edition).
Regulatory Compliance	<p>Standard 2 - The RSL is open and accountable for what it does. It understands and takes account of the need and priorities of its tenants, service users and stakeholders and its primary focus is the sustainable achievement of these priorities.</p> <p>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.</p> <p>Standard 4 - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.</p> <p>Standard 5 - The RSL conducts its affairs with honesty and integrity.</p> <p>Standard 6 - The governing body and senior officers have the skills and knowledge they need to be effective.</p>
Linked policies	Financial Regulations and Procedures
Financial Impact	Low
Risk Assessment	Low
Equalities Impact Assessment	Low
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1. INTRODUCTION

- 1.1 Reidvale Housing Association (RHA) is a community based organisation based in Dennistoun. Our core business is the provision of affordable housing and related services, and we recognise that we are an important part of the local community.
- 1.2 This Policy adopts the key recommendations of the Code of Practice on Treasury in the Public Services issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (2021 Edition).

The underlying principle that shapes the Treasury Management Policy is that the Management Committee is risk averse. The policies and procedures outlined within this policy make clear that the effective management and control of risk are the prime objective of the strategy.

General Strategy and Background

The Association recognises the importance of cash management and the administration and compliance with the terms set out in all its loans agreements.

The Management Committee is aware that treasury management exists to ensure that its financial assets are safeguarded and financial risks are identified and managed in accordance with the objectives of the Association which include minimising the risk to tenants and protecting assets that have been funded by private and public funds.

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

It is the responsibility of the Management Committee to seek assurance that the policy is being adhered to and that the covenants, information requirements and any other conditions, set out in the loan documents are being complied with.

The Governing Body of the Association is referred to as the Management Committee.

Any reference to Officers is a reference to any role considered to be within the Senior Management Team as set out in the Association's Standing Orders.

Any reference to Finance Agent means the Finance Agent or other consultant appropriate within the context of the activity, engaged for a specific purpose necessary to implement and maintain this policy.

2. AIMS AND OBJECTIVES

- 2.1 The aims and objectives of the policy are
- Ensure we are delivering our vision and values and objectives in our business and operational plans;
 - Ensure we are financially sustainable and able to deliver on our objectives set within the Business Plan;

3. LEGAL AND REGULATORY FRAMEWORK

- 3.1 Reidvale Housing Association, a registered society under the Co-operative and Community Benefit Societies Act 2014, a registered social landlord and regulated by the Financial Conduct Authority (FCA).

- 3.2 We are regulated by the Scottish Housing Regulator (SHR). Their Regulatory Framework sets out seven Standards of Governance and Financial Management. Relevant to this Policy are particular elements under these Standards:

- Standard 1 - The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.
- Standard 2 - The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders and its primary focus is the sustainable achievement of these priorities.
- 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.
- Standard 4 - The governing body bases its decision on good quality information and advice and identifies and mitigates risks to the organisation's purpose.
- Standard 5 - The RSL conducts its affairs with honesty and integrity.
- Standard 6 - The governing body and senior officers have the skills and knowledge they need to be effective.
- Standard 7 - The RSL ensures that any organisational changes or disposals it makes safeguard the interests of, and benefit, current and future tenants.

- 3.3 Code of Practice on Treasury in the Public Services issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) (2021 Edition).

4. TREASURY MANAGEMENT POLICY

4.1. INTRODUCTION

- 4.1.1 This Policy Statement sets out the Association's policy concerning treasury management.
- 4.1.2 Treasury management refers to the set of policies, strategies and transactions that the Association adopts and implements to:

- a) raise finance at the minimum cost whilst ensuring the stability of the long-term financial position; and
- b) optimise returns while protecting the cash resources.

4.2. TREASURY MANAGEMENT POLICY STATEMENT

4.2.1 The Association defines its treasury management activities as:

The management of the Association's cash flows, its banking, money market and capital market transactions and the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with such risks.

The overriding aim of the policy is to ensure that the Association will not be exposed to undue risk. In balancing risk against return, the Association is more concerned to avoid risks than to maximise returns. Accordingly, the analysis and reporting of treasury management activities will focus on risk implications for the Association.

The Association acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. The Association is therefore committed to the principles of achieving Value for Money in treasury management.

4.2.2 The CIPFA Code of Practice details some of the key risks faced by a Housing Association's treasury operations and those considered relevant to the Association's operations are set out below.

- **Liquidity, cash management and investment risk.** Sufficient liquid funds or easily accessible borrowing facilities must be available when required to meet the approved budgetary expenditure and deliver good outcomes for tenants and other service users. On average, the Association requires approximately £210k per month to meet running costs and the Finance Agent must ensure that there is ready access to funds to meet this commitment. Preparation of cash flow projections on a regular basis will provide a sound framework for effective cash management. We will aim to keep a minimum of approximately £1m in cash deposits, always invested with our approved organisations. The Officers must ensure that funding is in place prior to any capital expenditure being approved.
- **Funding and refinancing risk.** The Finance Agent must monitor the maturity profile of existing loans and the prevailing economic conditions when seeking finance and will seek to avoid unfavourable lending terms inconsistent with business plan assumptions. The Association will ensure that it adheres to the terms and conditions within their current lending arrangements to ensure any advantageous terms are protected and avoid any possibility of default.

Investment Risk. The Association retains enough available cash or loan facility to ensure that it can manage periods of heavy investment in its stock or new build developments where appropriate.

- **Interest Rate Risk.** The Finance Agent should review the interest rate risk the Association is exposed to and consider how best to manage this in relation to the overall risk position of the business. Fluctuations in interest rates can create unexpected or unbudgeted decreases in cash flow.
- **Institution Risk.** The Association is exposed to the possibility that the banks with which it is dealing may default unexpectedly and must plan to manage the risk.
- **Market Risk.** The Association, in balancing risk against return, is more concerned to avoid risk than to maximise return, avoiding any investments that can be compromised by adverse market fluctuations. A key objective of the policy is the security of the principal sum invested.
- **Fraud, Error or Corruption.** The Association will employ a suitable system of internal controls to minimise the possibility and effect of a loss incurred through fraud, error, corruption or other eventuality.

4.2.3 The 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.

4.2.4 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.

4.2.5 The Association's treasury management policies will be subject to regular review and will have in place a system of effective compliance monitoring and regular reporting to its Management Committee.

4.3. MANAGEMENT COMMITTEE CONTROL

- 4.3.1 The fundamental principle of this policy is that overall control of the Association's treasury management rests with the Management Committee.
- 4.3.2 Whilst the day to day administration and control will be delegated to Officers of the Association, the contents of this document can only be amended with the approval of the Management Committee.
- 4.3.3 Control by the Management Committee will be carried out through the appropriate controls and reporting procedures outlined in this document.
- 4.3.4 The Management Committee in delegating the day to day operating of this policy will ensure that those involved are suitably qualified to undertake the responsibilities entrusted through both its recruitment and training policies.
- 4.3.5 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.
- 4.3.6 The Officers of the Association have no delegated authority to commit the Association to loan facilities except as directed by the Management Committee. The role of the Officers is to consider the market and make recommendations.
- 4.3.7 The Treasury Management Policy will be reviewed periodically by the Management Committee and approved in accordance with financial procedures.

Delegated Authorities are set out in Appendix A.

4.4. GENERAL PRINCIPLES

- 4.4.1 The overriding aim of this policy will be to ensure that at all times the Association will not be exposed to unacceptable risk. This applies equally to both its investment and borrowing strategy.
- 4.4.2 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 the assets. **(Security of Financial Assets).**
- 4.4.3 The Association must ensure that at all times value for money is being obtained. This will be achieved by examining the costs of benefits relating to the decision to be made relating to investment or securing finance. **(Efficiency).**

4.4.4 In pursuing the above objectives the Association will initially restrict its investing and borrowing activities to the list of approved institutions at **Appendix B and Appendix C**.

4.4.5 In following this policy, the Management Committee and the Officers 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, CIPFA Treasury Management Guidance, the Scottish Government, OSCR, the Financial Conduct Authority Statute and the Common Law of Scotland (**Compliance with Laws and Regulations**).

4.4.6 The Association will at all times ensure that they have access to sufficient resources to meet their ongoing obligations (**Liquidity**).

4.5. APPROVED ACTIVITIES

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

4.5.2 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.

4.5.3 Borrowing limits will be based on the continued financial strength of the

Association, its ability to repay loans, available asset cover and satisfactory loan and covenant terms.

4.5.4 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.

4.5.5 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.

4.5.6 The Association will not be exposed to currency risk and accordingly will not borrow or deposit funds denominated in foreign currency.

4.5.7 The Association will not invest in any product whose value can be compromised by adverse market fluctuations.

4.6. TREASURY MANAGEMENT ANNUAL REVIEW

- 4.6.1 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 Agent. This will contain the information referred to in **Appendix D**.
- 4.6.2 This will allow the Treasury Management function to be assessed by the Management Committee on an annual basis against the policies and practices outlined in this Policy. This will include a review of cash flow forecasts versus actual and an overall review of the funding position of the Association. The baseline performance measure for the treasury function will be that the Association has solvent funds in place to deliver the objectives as set out in the Business Plan.
- 4.6.3 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.
- 4.6.4 The review will comment on the effectiveness of the strategy and any recommendations for change will also be considered.

4.7. INVESTMENT STRATEGY

- 4.7.1 The Investment Strategy should initially be approved by the Management Committee 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 Agent, or Finance Officer and also an annual report commenting on the effectiveness of the strategy.

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

4.7.2 Authorised Investments

As the Association is eligible to receive compensation under the terms of the Financial Services Compensation Scheme (FSCS) however this is restricted to £85,000 per licensed deposit taker.

Deposits should only be placed with institutions which have ratings which satisfy certain 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 and Poor's - 'A1'** - An obligor rated 'A-1' has STRONG capacity to meet its financial commitments. It is rated in the highest category by Standard and Poor's

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 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 Agent will monitor the credit worthiness of approved deposit-takers, set out at **Appendix B** bearing in mind that a limit of £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.

4.7.3 **Operational Limits/Exposure**

4.7.3.1 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.

4.7.3.2 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.

4.7.3.3 The Association will ensure that funds are transferred on a timely basis to and from its investments.

4.7.3.4 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 Agent.

4.7.3.5 Deposits should be placed to receive the most favourable terms while maintaining the appropriate spread of investment.

4.8. BORROWING STRATEGY

4.8.1 Authorised Borrowing

In undertaking borrowing activities, the Association will borrow from UK banks and building societies who are experienced in the sector, as detailed in **Appendix C**. Preference should be given to the lenders on the approved list, however, the Finance Agent 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.

4.8.2 Operational Limits Exposure

The borrowing of the Association is determined as follows:

4.8.2.1 The maximum amount of borrowing will be restricted by the Rules of the Association, lending covenants, ability to repay the loans and asset cover. This will be tested through cash flow, balance sheet and income and expenditure projections.

4.8.2.2 The 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 the Association's loan portfolio.

4.8.2.3 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 the lender to secure the required private finance.

4.8.2.4 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. **Any restrictive lending conditions must be fully explained and discussed before approving a new lending offer.**

4.8.2.5 All borrowing must have the prior approval of the Management Committee.

4.8.2.6 Final decisions on interest rates, loan terms and conditions of borrowing may be delegated to the Officers of the Association with all decisions ratified at the next Management Committee meeting. The Officers are responsible at all times for their actions to the Management Committee.

- The Association will not enter into any derivative transactions and will not borrow funds denominated in a foreign currency.
- The Association will not enter into any loan transactions that are index linked.
- The Association will not enter into hedging arrangements that are regarded as being of a sophisticated nature.
- The Association will at no time grant any lender a Floating Charge over its properties.
- The Association shall maintain records of stock valuations and shall arrange revaluations of stock where required for funding purposes or to comply with loan documentation.

4.8.2.7 The Finance Agent 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.

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

4.8.4 The Finance Agent must clearly explain the conditions in the loan documents and not allow the Committee to sign up to any new arrangement until they have had time to consider the implications of the terms and understand the likely effect the conditions can have on the business going forward. For example, is approval required for creation of subsidiaries, constitutional partnerships or on lending to subsidiaries Business Plan approval required before start of the financial year? Cash flows and budgets to be submitted before the beginning of the new financial year.

4.8.5 The Management Committee must understand the risks and obligations they undertaken when entering into new loan arrangements. There must be an appreciation of any "new" lending conditions; how these compare to current loan terms and their effect on the business going forward.

4.9. INTEREST RATE EXPOSURE

4.9.1 The potential for material breakage costs on any fixed rate arrangements, which would arise if the Association decides to 'break' the agreed fix, shall be considered as part of the decision-making process.

4.10. REVIEW AND REPORTING

4.10.1 Annual Report

The Finance Agent 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.

Covenant compliance will be reported to the Management Committee on a quarterly basis along with the management accounts.

4.11. LEGAL MATTERS

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

4.12. CONCLUSIONS

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

4.12.1.1 The Management Committee will have overall control of policy issues relating to treasury management.

4.12.1.2 The Officers 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.

4.12.1.3 Control and reporting procedures will be established to keep the Management Committee fully informed of treasury management activities and developments.

4.12.1.4 The Association will benefit from increased capital security and more efficient control of financial assets.

4.12.1.5A 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.

4.12.1.6 Ensure compliance with lenders covenants and information requirements.

4.12.1.7 Ensure an understanding of any new restrictive lending conditions and their potential effect on the business going forward.

5. STAFF TRAINING

5.1 Reidvale Housing Association will ensure that all staff who are required to undertake work in the Treasury Management process receive appropriate and regular training.

6. EQUALITY AND DIVERSITY

6.1 Reidvale Housing Association is an equal opportunities organisation. We are committed to providing an environment of respect, understanding, encouraging diversity and eliminating discrimination. No person or group of persons applying for housing and housing services will be treated less favourably than any other persons or groups of persons because of their age, disability, gender reassignment, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.

7. COMPLAINTS

7.1 Although we are committed to providing high levels of service, we accept that there may be occasions where a service user may not be satisfied with the service received from the Association. We value all complaints and use this information to help us improve our service. Any service user, complying with the procedure, but remaining dissatisfied with any aspect of the service they have received have the right to submit a complaint to the Association in accordance with the Complaints Handling Procedure.

8. GDPR

8.1 Reidvale Housing Association will treat your personal data in line with our obligations under the current General Data Protection Regulation and our Privacy Policy. Information regarding how your data will be used and the basis for processing your data is provided in our Fair Processing Notice.

9. POLICY REVISION

9.1 The Association undertakes to carry out a comprehensive review of all aspects of this policy at least every three years. The review will take account of legislative changes, new policy guidance, best practice advice and the views of service users.

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.

Officers

The following powers are delegated to Officers:

1. The day to day administration of this strategy will be delegated from the Management Committee to the Officers 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.
6. The investment levels and the Officers delegated to authorise the investment decisions are listed below.
7. Officers 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.

List of Officers delegated to authorise investment decisions:

1. Director, including any temporary appointments.
2. The Finance Agent under a service level agreement with the Association.

List of Officers delegated to execute approved decisions by someone other than themselves:

3. Finance Officer.

APPENDIX B - APPROVED INVESTMENT INSTITUTIONS

UK Government Securities (UK Gilts)

The Royal Bank of Scotland

Barclays Bank

Lloyds Bank

Santander UK

Nationwide Building Society

HSBC Bank

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 Agent or Finance Officer.

Any impairment to the credit worthiness of the approved counterparties will be advised to the Management Committee.

This list may be reviewed from time to time and recommendations made to the Management Committee outside of the normal review cycle on additions or deletions to the list of approved investment institutions.

APPENDIX C - APPROVED SOURCES OF PRIVATE FINANCE

Lloyds Bank

Barclays Bank

CAF Bank

Charity Bank

Unity Bank

Nationwide Building Society

The Royal Bank of Scotland

Santander UK

The Housing Finance Corporation (THFC)

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.

This list may be reviewed from time to time and recommendations made to the Management Committee outside of the normal review cycle on additions or deletions to the list of approved sources of private finance.

Methodology

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

- the name(s) of the proposed lender(s) with a brief description of experience and understanding of the social housing market
- where applicable, the proposed lender(s) credit ratings
- details of the interest bases permitted under the proposed facility
- the level of lender's margin
- details of arrangement and non-utilisation fees, legal costs, valuation fees etc.
- details of financial covenant requirements and any other restrictive undertakings required together with an assessment of the Association's ability to comply therewith
- details of asset cover required

- information requirements
- details of security arrangements
- comparison with alternative lenders and a cost benefit analysis
- arrangements for draw downs
- details of independent financial, legal and other advice
- any other matters that will assist the Management Committee in arriving at its decision
- timescale for completing the process and the finance becoming available

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 Finance Agent or Finance Officer. Any impairment to the credit worthiness of the approved counterparties will be advised to the Management Committee.

APPENDIX D - TREASURY MANAGEMENT REVIEW ANNUAL REPORT

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.
2. A review of cash flow forecasts versus actuals and an overall review of the funding position of the Association. The baseline performance measure for the treasury function will be that the Association has solvent funds in place to deliver the objectives as set out in the Business Plan. Highlighting key risk milestones in relation to major investment or new build and the ability to manage cash or borrowing at these points.
3. Evidence of continued covenant compliance throughout the loan term.
4. Details of principal borrowing maturities over the next 30 financial years.
5. Analysis of present levels short term and long-term interest rates, comparison with historical trends and estimated trend movements in the interest rates over the next financial year.
6. Details of free security and ability to drawdown additional private finance.
7. Proposals for information, action or approval:
 - total outstanding borrowings and when they will be utilised
 - details of any non-utilisation fees
 - maximum short-term borrowing (if any) included in total maximum outstanding borrowing
 - maximum proportion of loan interest payable on variable rate borrowing
 - 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)
 - details of lenders information requirements
 - confirmation that lending information requirements are met
 - details of correspondence or meetings with lenders
 - details of any issues arising from external audit for treasury policy
 - arrangements for the review of treasury policy

- arrangements for the internal and external audit of treasury policy

8. 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

9. Proposals for the amendments and annual review to the Treasury Policy Statement.