Bridgewater Housing Association Policy

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This document can also be provided in large print, braille, audio, or other non-written format and in a variety of languages, on request.

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Introduction

1.1 This document sets out the Treasury Management Policy Statement of Bridgewater Housing Association ("BHA" or the "Association") together with the Treasury Management Practices and Procedures that it adopts and operates.

1.2 The Association recognises that it is exposed to risk from a wide range of factors, and that these risks can impact on the achievement of the Association's business objectives. The Association undertakes risk mapping to identify and quantify these risks, and has established and maintains systems and procedures to manage, monitor and limit the impact of all such risks.

1.3 The Association recognises that treasury management activities themselves, including cash flow management, borrowing, investing and hedging can potentially expose the Association to specific risks that require close attention and careful management.

1.4 To this end, the Association has established, and will maintain, specific treasury policies and practices, which are set out in the following Treasury Management Policy and Practices document.

1.5 The policies referred to within this document are derived from the latest CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 ("the Code").

1.6 The Association will also ensure that of its treasury management activities comply with its statutory powers and regulatory requirements.

1.7 The Association acknowledges the three Key Principles as set out in section 4 of the Code, specifically:

Key Principle 1

Public Service Associations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their Associations. Their appetite for risk should form part of their 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 portfolio liquidity when investing treasury management funds.

Key Principle 3

They 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 Associations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

2 Treasury management policy statement

CIPFA recommends that all public service Associations (including Registered Social Landlords) adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following core statements relating to treasury management:

The Association will create and maintain as the cornerstones for effective treasury management:

- a treasury management policy statement, (this document), stating the policies, objectives and approach to risk management of its treasury management activities; and
- suitable Treasury Management Practices (TMPs), setting out the manner in which the Association will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the – Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017 (the “Code”), subject only to amendment where necessary to reflect the particular circumstances of the Association. Such amendments will not result in the Association materially deviating from the Code's key principles which are as follows:

- The Association’s Board will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- The Association‘s Board has overall responsibility for treasury management. In accordance with the Association’s underlying terms of reference the Board delegates responsibilities to the Head of Finance. Specific responsibilities are contained within TMP 5. The Association’s Board is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

This document sets out the TMPs of the Association, which has adopted the key recommendations of the Code as described in Section 4 of that Code.

The Association defines its treasury management activities as **“The management of the Association’s 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.”**

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 analysis and reporting of treasury management activities will focus on their risk implications for the Association.

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 to employing suitable performance measurement techniques, within the context of effective risk management.

3 TMP 1 – Risk management

3.1 General Statement

3.1.1 The Head of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least twice a year on the adequacy and suitability thereof and will report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Association's objectives in this respect, all in accordance with the procedures set out in TMP6 "Reporting requirements and management information requirements".

3.2 Liquidity risk management

3.2.1 The Association will ensure that its liabilities will always be met when due and will ensure adequate liquidity is at all times available to meet unexpected expenditure requirements that may arise from time to time.

3.2.2 The Annual Treasury Strategy (see TMP6 "Reporting Requirements") will contain a proposed liquidity maintenance requirement for the following financial year, subject to the overriding requirement that the Association's available liquidity must not, at any time, fall below the levels specified below.

Liquid Funds equal to the forecast outflow for the next calendar month.

Liquid funds are defined as the aggregate of:

- Cash balances with a maximum deposit maturity up to seven days.
- Undrawn committed borrowing facilities where security has been put in place to the lender's satisfaction and which are available to be drawn within a maximum of seven days.
- Undrawn available overdraft facilities.

Short Term Funds equal to the forecast outflow for the next three calendar months.

Short Term Funds are defined as the aggregate of:

- Liquid Funds
- Cash balances with a deposit maturity/notice period of between seven days and one month
- Undrawn borrowing facilities where security is available and can be charged to the lender's satisfaction so that the facility may be drawn within a maximum of one month.

Medium Term Funds equal to half the sum of all creditor payments falling due within one year.

Medium Term Funds are defined as the aggregate of:

- Short Term funds
- Cash balances with a deposit maturity/notice period of one to three months.
- Undrawn committed borrowing facilities where security has been nominated and which can be charged to the lender's satisfaction so as to make the facility available for drawdown within three months.

3.2.3 Appropriate overdraft facilities from the Association's clearing bankers will be maintained as required by operational requirements.

3.3 Interest rate & inflation risk management

3.3.1 The Head of Finance is responsible for monitoring the Association's interest rate risk exposures and for determining an appropriate strategy for the management thereof within the guidelines and policies established in this Treasury Management Policy and the Annual Treasury Plan (see TMP6 "Reporting Requirements").

3.3.2 In managing the Association's interest rate and inflation risk the Head of Finance will pay due regard to:

- current levels of interest rates and inflation compared with historic trends;
- anticipated future trend movements;
- the impact on revenue of estimated movements in interest rate and inflation trends;
- sensitivity of the revenue account to movement in interest rates and inflation; and
- policy and/or budgetary implications.

3.3.3 The Association may enter into loan arrangements that incorporate interest rate swaps, caps, collars and/or other hedging arrangements that allow interest rate risk to be managed without the need for any separate hedging instrument to be transacted (so called "embedded" arrangements).

3.3.4 The Association is risk averse and will endeavour to ensure that its borrowings contain a mix of hedged and variable interest rates. The optimum mix will be determined in the Annual Treasury Plan according to operating circumstances and through sensitivity analysis of anticipated cash flows, but within the following broad parameters (expressed as a percentage of total debt outstanding):

Proportion of total debt to be protected	Min	Max
Hedged debt	50%	100%
Unhedged debt (including callable fixed rates where the next option to terminate falls within 12 months).	0%	50%

3.3.5 Unhedged debt includes borrowing linked to SONIA (or successor rates), Bank Base Rate, Building Societies' Base Rate, and borrowings linked to any index (e.g. the Retail Price Index).

Hedged Debt includes borrowing in relation to which the interest rate has been fixed in excess of 12 months (note that when a fixed rate loan has 6 months or less to its maturity or cancellation option exercise date it will be treated as variable).

3.3.6 For the purposes of monitoring compliance with hedged/unhedged policy requirements (paragraph 3.3.4), forward starting hedges will be included in the hedging portfolio from the date on which they take effect. Care must be taken when formulating the Annual Treasury Plan and executing hedging transactions to ensure that the impact of forward starting arrangements will not cause hedging limits to be breached when they take effect.

3.3.7 The Association recognises the risk arising from maturing fixed interest rates and the resulting potential exposure to volatility in the interest rate market ("re-set risk"). Accordingly, the Association will seek to manage interest rate re-set risk management strategy within the following general parameters, subject to operational requirements:

Hedged debt re-set risk parameters

3.3.8 The maximum percentage of total hedged debt due for re-set in any one year to be 20% to exclude any capital markets issues which have been structured on a bullet repayment basis.

3.3.9 The maximum percentage of variable rate debt maturing (rollover) on any date to be 25%.

3.3.10 The principal factor governing the Association's management of interest rate and inflation risk on surplus funds will be liquidity requirements. Surplus funds needed to meet cash flow requirements will necessarily be placed on short term deposit.

3.3.11 Subject to maintaining liquidity, either in the form of cash or undrawn committed and available borrowing facilities, where possible and subject to specific operating requirements the Association will seek to minimise borrowing rather than invest surplus funds when the net cost of borrowing exceeds the return achievable by investing surplus funds.

3.4 Exchange rate risk management

3.4.1 The Association will not expose its cash flows to exchange rate risk and consequently will not borrow using structures which require the payment of principal or interest in currencies other than sterling. Neither will it invest in instruments which pay interest or return capital in currencies other than sterling.

3.5 Credit and counterparty risk management

3.5.1 The Association may only invest with/lend to institutions regulated by the Prudential Regulation Authority (or the appropriate supervisory body in the European Economic Area in which they are incorporated or formed). It is permitted to invest with/lend to subsidiaries of rated institutions provided the subsidiary itself has an acceptable credit rating or where the Association can be satisfied that the parent institution (which has an acceptable credit rating) is unconditionally obliged to stand behind the obligations of its subsidiary.

3.5.2 The Association will use Short-Term credit ratings issued by Fitch Ratings Ltd ("FRL"), Moody's Investor's Service ("Moody's") and Standard & Poor's ("S&P") to monitor the creditworthiness of the Banks and Building Societies with which it invests or with which it proposes to invest. For the purposes of this policy, the Association may invest with Banks and Building Societies which have an average Short-Term credit rating across the three rating agencies of at least "F2" as issued by FRL. The equivalent Short-Term credit ratings issued by Moody's and S&P are "P-2" and "A-2" respectively.

3.5.3 Short-Term ratings have a time horizon of less than 13 months for most obligations and thus place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

The following table provides an example of the short-term credit ratings used by Fitch Ratings:

F1 Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.	**F2** Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3 Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non- investment grade.	**B** Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favourable business and economic environment.	**D** Indicates an entity or sovereign that has defaulted on all of its financial obligations.

3.5.4 The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

3.5.5 The Association may lend to any building society complying with the credit rating criteria or with net assets in excess of £1bn, or where specific prior approval has been obtained from the Board.

3.5.6 It is permitted to invest with/lend to subsidiaries of rated institutions provided the subsidiary itself has an acceptable credit rating or where the Association can be satisfied that the parent institution (which has an acceptable credit rating) is unconditionally obliged to stand behind the obligations of its subsidiary.

3.5.7 As a general rule, the Association will only invest surplus funds with UK domiciled institutions and preference will be given to institutions which lend to the Association in order to be able to take advantage of the right of set-off.

3.5.8 The Head of Finance will monitor the credit quality of all counterparties using external services as appropriate. If the credit rating of a counterparty is downgraded below the minimum requirement or there is a rating review with a view to such a downgrading then this will be reported to the Board on an exception basis with appropriate recommendations, which might include proposals to unwind borrowings and associated derivatives transactions and the early redemption of investments, even where this results in a loss of interest to the Association. The security and protection of assets, including cash and deposits, is the principal objective of our Investment Strategy

3.5.9 Funds invested will also be subject to the following sector limits:

Sector	Max % of funds
UK Banks and/or subsidiaries	100
UK Building societies	50
UK Government	100
Local Authorities	50
Money Market Funds	50

3.5.10 Where surplus funds are required to meet possible cash outflows in the near future, they must be deposited for periods that will ensure funds are available when required. Where funds are to be used to repay borrowings on maturity, deposit maturities should match the maturity of those borrowings as closely as possible.

3.5.11 The maximum amount invested at any time with an approved investment institution may not exceed £5m or 33% of the total surplus funds invested and have a maturity not exceeding 365 days. The only exceptions to these limits will be the Association's clearing bankers with whom deposits in excess of this amount may be made for up to 14 days from the date of unexpected funds and for sinking funds or funds held in escrow by direction of a lender pending completion of security arrangements. Whilst special Board approval can be sought for a longer investment period such approval will only be given once independent professional advice has been received. Any exceptions to this policy must be reported to the Chair immediately and to the next Board meeting, except where such an exception is due to accrued interest.

3.5.12 Investment may be made directly with an approved investment institution or via any regulated money broker. The Head of Finance shall be responsible for ensuring that any brokers used are made and kept fully aware of the Association's minimum counterparty criteria and limits.

3.5.13 Where funds are held on behalf of the Association by third parties (such as sinking fund trustees), the Head of Finance shall be responsible for ensuring that such third parties are made and kept fully aware of the Association's minimum counterparty criteria and that any departure therefrom shall be subject to specific Board approval.

3.5.14 Where cash has been raised from the proceeds of a capital markets issue or similar funding mechanism and is required to be placed on deposit with trustees as cash collateral pending completion of security charging, the Association's minimum credit rating criteria for investment counterparties will continue to apply and must be advised in writing to the relevant trustee.

However, the individual institution investment limit specified in paragraph 3.5.10 may be varied by the Board as a temporary measure to accommodate such cash collateral arrangements in addition to day to day investment activities subject to quarterly reporting and re-authorisation.

3.5.15 Where cash has been raised from the proceeds of a capital markets issue or similar funding mechanism and cannot be utilised immediately a specific investment strategy for such funds must be approved by the Board. The approval must set out variations to individual counterparty limits, minimum credit rating criteria and any other elements of this treasury management policy and will be subject to quarterly reporting and re-authorisation.

3.5.16 The Association is permitted to invest in Sterling money market funds to provide investment diversification for short-term funds. Investment is only permitted in money market funds that have a rating of 'AAA', and that have a minimum investment rating criteria of A-1. It is recognised that there is a risk of falling capital values with this type of investment and therefore the maximum aggregate invested at any time in money market funds may not exceed £5 million. Any such investment requires specific authorisation by the Board and will be subject to quarterly performance reporting to the Board detailing, inter-alia, capital value. Investment in any such funds will only be approved following appropriate professional advice.

3.5.17 It is the Association's policy to borrow from as wide a range of sources as possible and as may be appropriate. In general terms, the Association will seek at all times to have committed available facilities in place sufficient to meet its contractually committed capital programme for a minimum of 2 financial years. Where borrowings are to be included in the calculations of liquidity (as set out in section 3.2 "Liquidity Risk Management") the lender must have a minimum credit rating equivalent to those set out 3.5.2 or be subject to specific approval by the Board. The Association will also consider borrowing from the capital markets either directly, via issuing vehicles or via intermediaries such as The Housing Finance Corporation or GB Social Housing.

3.6 Legal & regulatory risk management

3.6.1 The Association will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities.

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

3.7 Fraud, error and corruption, and contingency management

3.7.1 The Association will ensure that it has identified the circumstances that may expose it to the risk of loss through fraud, error, corruption, or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

3.7.2 The risks and subsequent mitigation associated with treasury management will be assessed and controlled with reference to the undernoted policies and procedures:

- Association Risk Management Policy
- Association Fraud Policy
- Association Financial Regulations
- Association Anti Money Laundering Policy

3.8 Price risk management

3.8.1 The Association will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect it from the effects of such fluctuations.

3.9 Refinancing risk management

3.9.1 The Association will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Association as can reasonably be achieved in the light of market conditions prevailing at the time.

3.9.2 It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

3.10 Non-treasury investment risk

3.10.1 The Association recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

3.10.2 The Association will ensure that all the Association’s investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the Association’s risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

3.10.3 The Association will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Association’s risk exposure.

4 TMP 2 – Best value & performance management

4.1 The Association is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim.

4.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Association's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, and of the scope for other potential improvements.

5 TMP 3 – Decision making & analysis

5.1 Record keeping

The Association will maintain full records of its treasury management decisions, and of the processes and procedures applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were considered at the time.

The scheme of delegated authority is set out in TMP 5.

5.2 Borrowing where a loan has already been approved by the Board

Delegated authority to borrow funds is placed with the Head of Finance. The amount of borrowings required will be dictated by business cash flow requirements and proposed development expenditure (if any). The exact amount of borrowings required will vary from time to time but will be at least sufficient to meet all liquidity requirements as outlined in this Policy.

5.3 Investing

Responsibility for controlling investments rests with the Head of Finance. The value of investments will be dictated by business cash flow requirements and proposed development expenditure. The exact amount of investments will vary from time to time and will be kept available to meet all liquidity requirements as outlined in this Policy.

When significant funds (typically in excess of £5m) are available to invest the Head of Finance will approach at least 2 preferred institutions to establish the best possible terms available. The funds will then be invested in accordance with the terms of this Policy and the Association's standing orders/treasury procedures at the best rates available.

All investment transactions must be documented, and the following information recorded:

- Amount
- Investment period
- Counterparty
- Interest rate
- Price/yield/coupon & issue details as appropriate
- Dealing date

- Payment date
- Maturity date
- Transmission arrangements
- Justification of the deal
- A unique deal number
- Broker's name (if applicable)
- Transaction type
- Name and signature of person executing the deal

Deal tickets should be evidenced as being authorised and must always be accompanied by confirmation letters/emails exchanged by the Association, counterparties and brokers.

Where possible, all investments will be transferred via CHAPS arrangements and be made in accordance with standing rules for operation of this service.

6 TMP 4 - Approved methods, instruments & techniques

6.1 The Association will undertake its treasury management activities by employing only those instruments, methods, and techniques detailed in this TMP.

6.2 **Capital finance (new borrowing)**

The Head of Finance in conjunction with the Chief Executive are responsible for and undertakes all borrowing activities on behalf of the Association. No new commitment to borrow funds may be entered into without the specific approval of the Board.

In the case of all proposed new borrowing, the Head of Finance will prepare a report to the Board containing the following minimum information:

- the name(s) of the proposed lender(s) with a brief description of their experience, understanding of the social housing market and perceived market standing;
- where applicable, the proposed lender(s) credit ratings;
- details of the interest bases permitted under the proposed facility;
- the basis and level of the lender's interest rate margin;
- details of arrangement and other fees, legal costs, valuation fees etc.;
- details of financial covenant requirements and any other restrictive undertakings required together with an assessment the Association's ability to comply therewith;
- details of security arrangements;
- details of any penalty clauses and early redemption cost clauses;
- comparison with other offers and a cost benefit analysis;
- compliance with the Association's borrowing strategy and policy;
- arrangements for drawings funds;

- details of any independent financial, legal or other advice received; and
- any other matters that will assist the Board in arriving at its decision, with particular attention to highlighting the relevant risks.

6.3 **Terms & conditions of capital finance**

It is the responsibility of the Head of Finance to ensure that all new borrowing is effected on the most competitive terms possible and available in the markets. The Association will endeavour to ensure that any financial covenants entered into with any lender are consistent with those for existing borrowing arrangements where they remain in place and are in line with the market at the time of arranging.

The Association will seek to maintain minimum levels of covenant compliance in excess of the levels imposed by loan agreements at all times. Anticipated levels of compliance and internally set compliance targets will form an integral element of the Annual Treasury Plan.

6.4 **Collateral (security)**

It is the Association's general policy to maintain the minimum level of asset cover required by lenders. At the same time, the Association will endeavour to ensure that borrowing arrangements permit maximum flexibility to release and substitute collateral assets and to grant floating charges only as a short-term measure pending the completion of fixed charge security.

6.5 **Investment**

Subject to the limits and credit criteria specified in the standing orders, the Association may invest surplus funds in the following approved instruments:

- Short/fixed term money market deposits;
- Certificates of deposit issued by authorised institutions;
- Treasury Bills;
- Government Gilts

Funds may not be invested in any medium where capital value may be subject to loss without the approval of the Board

6.6 **Derivative instruments**

These are not provided for within the rules of the Association.

6.7 **MIFID II**

This Association has reviewed its classification with financial institutions under MIFID II and has set out in the schedule to this document those Associations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

7 TMP 5 - Association, clarity and segregation of responsibilities, and dealing arrangements

7.1 The Association considers the effective control and monitoring of its treasury management activities essential, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times clarity of treasury management responsibilities.

7.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording, and administering of treasury management decisions and the audit and review of the treasury management function.

7.3 If and when the Association intends, as a result of lack of resources or other circumstances, to depart from these principles, the Head of Finance will ensure that the reasons are properly reported in accordance with TMP6 - "Reporting", and the implications properly considered and evaluated.

7.4 The Head of Finance will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and arrangements for absence cover.

7.5 The Association's scheme of delegated authority relating to treasury management is as follows:

Authority retained by the Board:

- Approval of key policies, procedures and delegation of authority
- Approval of the Business Plan.
- Approval of the Annual Treasury Plan as recommended by the Head of Finance.
- Review of the Annual Treasury Report, the contents of which are described in TMP6.

Authority delegated to the Head of Finance in conjunction with the Chief Executive:

- Implementation of the Annual Treasury Plan (including proposals for controlling interest rate risk).
- Delivery of the Annual Treasury Report to the Board.
- Supervision of the treasury function.
- Authorisation of investments entered into pursuant to TMP1.

8 TMP 6 – Reporting requirements and management information requirements

8.1 Annual Treasury Strategy

8.2 The Head of Finance will prepare for the Board meeting preceding or the first Board meeting following the year end, an Annual Treasury Strategy for approval. This will set out the Association's aims and objectives as they apply to treasury management for the following financial year. A semi-annual "progress report" of the Annual Treasury Strategy will be agreed by the Board and shall contain financial and other relevant data to include:

- Forecast cash flows for the following financial year and no less than the succeeding two years.
- Details of borrowing maturities over the next three financial years.
- A maturity ladder detailing all fixed interest rate borrowing.
- Analysis of current prevailing short and long term interest rates, comparison with historical trends and estimated trend movements over the next financial year. This data will be supported with externally gathered expert opinion.
- A report on current outstanding borrowing, including short term debt and a statement of the proportion of fixed, variable and index linked interest rates.
- A statement of borrowing requirements for the next financial year 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 financial year.
- A recommendation as to the mix of fixed, variable and index linked interest rates to apply to each subsidiary within the Association's debt portfolio at the end of the next financial year.

In preparing the Annual Treasury Strategy the Head of Finance, will pay regard to the following:

- Maintenance of a stable financial condition;
- Ensuring that the Association has sufficient cash resources available to meet both its long term and planned short term needs; and
- Ensuring that the Association has sufficient cash resources available at all times to meet funding needs arising from uncertainties in the business planning process, the timing and amount of cash flow.

The Annual Treasury Strategy will also detail the Association's strategy for refinancing maturing borrowing (if any) changing the mix of fixed, index linked and variable interest rates and for financing new borrowing requirements over the next three years. The Annual Treasury Plan must include:

- sources of finance;
- proposed maturities and maturity structure;

- Mechanisms available for controlling and managing interest rate risk exposure including Fixed, variable, index linked interest;
- anticipated interest rate levels;
- a statement of unencumbered assets available to support borrowing and a statement of the effect of any proposed new borrowing; and
- a forecast of the impact of the proposed strategy on financial covenants.

The Annual Treasury Strategy will detail the Association's strategy for investing surplus funds and include, on an aggregated basis:

- A forecast of funds required to repay maturing debt or for other cash flow requirements;
- A forecast of surplus funds available to meet contingencies;
- An investment strategy, including proposed instruments and maturities, designed to maximise returns and also ensure sufficient liquidity to meet forecast requirements.
- A forecast of the impact of the proposed strategy on any applicable borrowing terms and conditions.

The Annual Treasury Strategy will also set out any proposals for amendments to the Treasury Management Policy Statement or TMPs.

8.3 Annual Treasury Report

The Head of Finance will submit an Annual Treasury Report to the Board meeting following the end of each financial year and in any case, no later than three months after the end of the financial year. The Annual Treasury Report will cover the whole of the financial year's activities of the treasury operation and include final annual measures of performances. The overriding objective of the Annual Treasury Report is to form a stand-alone document that provides a full picture of treasury activities, plans, policies and results, independent of other reporting during the year. The Annual Treasury Report will incorporate the following specific information:

- a statement of the proportion of debt that is hedged including a maturity ladder detailing all fixed interest rate borrowing and interest periods within variable rate borrowing;
- an overall summary of treasury operations for the year;
- an analysis of actual cash flow compared with budgeted levels and commentary on variations (both positive and negative); and
- a report analysing compliance with permitted borrowings and prevailing regulations, including:
- total borrowings outstanding;
- total short term borrowings;
- financial covenant compliance;
- confirmation that total permitted borrowing has not been exceeded; and
- matters where the TMPs have not been complied with (if any).

As part of the annual review of treasury the Head of Finance will also review this treasury policy to ensure it is fit for purpose and advise of any required amendments.

8.4 Semi-annual Treasury Report

The Head of Finance will submit a mid-year Treasury Report to the Board meeting following the end of the second quarter. This will summarise performance to date with regards to treasury management and in particular note the following:

- Debt summary and covenant report
- Interest payable and receivable analysis.
- Rolling annual cash flow forecast.
- Analysis of liquid, near liquid and short term funds requirements at Quarter end and available funds to meet such requirements.
- Gapping report.
- Hedging Counterparty report.

9 TMP 7 – Budgeting, accounting & audit arrangements

9.1 The Head of Finance will prepare and the Board will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with any associated income. The matters to be included in the budget will, at a minimum, be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 "Risk Management", TMP2 "Best Value and Performance Measurement". The Head of Finance will exercise effective controls over this budget and will report upon and recommend any changes required in accordance with TMP6 "Reporting Requirements".

9.2 The Association will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards and with statutory and regulatory requirements in force for the time being.

9.3 The Association will ensure that its auditors and those charged with regulatory reviews, have access to all information and papers supporting the activities of the treasury management function, as are necessary for the proper fulfilment of their roles and that such information and papers demonstrate compliance with external and internal policies and approved practices.

10 TMP 8 – Cash & cash flow management

10.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Association will be under the control of the Head of Finance and will be segregated for cash flow and investment management purposes.

10.2 Cash flow projections will be prepared on a regular and timely basis and the Head of Finance will ensure that these are adequate for the purposes of monitoring compliance with TMP1 "Risk Management".

11 TMP 9 - Money laundering

11.1 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 appropriate procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this, are properly trained.

12 TMP 10 - Staff training & qualifications

12.1 The Association recognises the importance of ensuring that all staff involved in the treasury management function have the skills required to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

12.2 Officers involved in treasury operations will receive adequate training to provide them with the necessary skills and knowledge to keep them up to date with treasury management best practice. Training may include studying for recognised qualifications, external courses and conferences and internal courses and seminars. Each year the Head of Finance, will assess training needs and make appropriate provision for costs.

12.3 The Board will also receive regular training and development sessions to ensure that they have the necessary skills to understand and approve treasury reports. This will be by means of in-house training sessions undertaken by both employees and external specialists. Where considered appropriate Board members may also attend external training courses.

13 TMP 11 – Use of external service providers

13.1 The Association recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

13.2 In accordance with the Association's Standing Orders the use of external advisers will be considered in the following circumstances:

- Ongoing treasury support with strategy and policy;
- Provision of regular market information;
- The raising of additional finance;
- Negotiation and re-negotiation of loan covenants and margins; and
- Recruitment of new team members.

13.3 Before external consultants are engaged, Board approval will be sought with clear terms of reference established.

13.4 Once the use of external advisers has been agreed all Board reports submitted where the external advisers have had an involvement will need to be reviewed by an officer of the Association and where deemed appropriate presented by the external adviser.

14 TMP 12 – Corporate governance

14.1 The Association is committed to the pursuit of proper corporate governance throughout its business and services and to establishing the principles and procedures by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

14.2 The Association has adopted and has implemented the key recommendations of the Code. This, together with other arrangements detailed in the Association's treasury procedures are considered vital to the achievement of proper corporate governance in treasury management. The Head of Finance will monitor and, if and when necessary, report upon the effectiveness of these arrangements.