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fife housing group

Treasury Management Policy

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Contents

1. Treasury Management Policy Statement

1.1 This document sets out the Treasury Management Policy of Fife Housing Group (FHG). FHG recognises the importance of an effective treasury management service and in compiling this policy has reviewed the Scottish Housing Treasury Management – Revised Regulatory Guidance 2015 and has consulted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 edition.

1.2 For the purpose of this Treasury Management Policy (TMP) document FHG refers to Fife Housing Association Ltd, together with any subsidiary or associated businesses that are under the control of FHG.

1.3 The FHG Board retains responsibility for the approval and regular review of FHG's Treasury Management Policy (TMP) and monitoring of its implementation. Execution and administration of treasury management decisions is the responsibility of the Director of Finance and Governance reporting to the Chief Executive Officer (CEO), who will act in accordance with FHG's TMP.

1.4 FHG defines its treasury management activities in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) definition which is "The management of Association's cashflows, its banking, money market, capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with these risks."

1.5 FHG acknowledges that effective treasury management will support the achievement of its business and service objectives. It is therefore committed to employing suitable performance measurement indicators that capture how well treasury has supported FHG's business objectives.

1.6 FHG regards the successful identification, monitoring and control of cost and 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 FHG.

2. Risk Management

2.1 General Statement

2.1.1 The Board of FHG set the risk appetite for FHG. In relation to Finance & Treasury Risk the appetite was defined as "Cautious" which means FHG is prepared to accept the possibility of some well managed risk in this area.

2.1.2 The Director of Finance and Governance will design, implement and monitor all arrangements for the identification, management and control of financial, economic and operational risk in relation to Treasury matters. Such arrangements are to include testing of the sensitivity of the annual Business Plan to changes in key assumptions and detailed stress testing to identify circumstances that could significantly adversely affect FHG. The outcome of such testing will help inform the Executive & Board as part of their wider risk management. The Director of Finance and Governance as part of the Treasury Management Risk Management framework will report at least annually as part of the Annual Treasury Report (ATR) on the adequacy/suitability thereof, and will report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving FHG's objectives in this respect, all in accordance with the procedures set out below in "Reporting requirements and management information arrangements". In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in Appendix one.

2.1.3 It should be noted that the ultimate responsibility in respect of Risk Management rests with the Chief Executive but the quarterly reporting in relation to Treasury Risk Management is completed by the Director of Finance and Governance and submitted in accordance with the Risk Management Strategy extant for appropriate internal oversight.

2.2 Liquidity Risk Management

2.2.1 FHG will ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives.

FHG 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.

The Annual Treasury Management Strategy will contain a proposed liquidity maintenance requirement for the following financial year.

FHG will maintain appropriate overdraft facilities from its clearing bankers as required. FHG will also ensure that 100% of its known medium term liquidity requirements can be met using liquid funds.

2.2.1 "FHG's Treasury Policy – Authorisation Limits" are included as Appendix 4 and sets out FHG Board approved financial parameters within which FHG must operate.

2.3 Interest Rate, Inflation and Covenant Breach Risk Management

2.3.1 FHG will manage its exposure to short term fluctuations in interest rates with a view to achieving optimum funding costs to support its strategic objectives and manage interest rate risk in line with its Board approved risk appetite for Treasury.

2.3.2 The long term effects of varying levels of inflation and interest rates will be managed by FHG as an integral part of its strategy for managing its overall risks.

2.3.1 FHG will achieve these objectives by the prudent use of its approved financing and hedging instruments, methods and techniques, primarily to create stability and certainty of surpluses in line with FHG's financial strategy, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates or inflation. The above are subject, at all times, to the consideration and, if required, approval of any policy or budgetary implications.

2.3.1 FHG will ensure that covenant compliance is monitored in accordance with "reporting requirements and management information arrangements" and will ensure that lenders receive on a timely basis such information as they require.

2.3.1 FHG will not incur exchange rate risk and accordingly will either only borrow and invest in sterling (or other currency of the UK) or, in exceptional circumstances (when permitted by its rules), will hedge back into sterling any foreign currency transactions.

2.4 Counterparty Credit Risk Management

2.4.1 FHG recognises the risk whereby the inability of a provider of a credit facility, deposit taker, or derivatives counterparty to fulfil its contractual obligations when they fall due, or reduction in creditworthiness, may result in a financial loss or liquidity problem for FHG.

FHG will, therefore, maintain a formal counterparty policy in respect of those organisations from which it draws funds on committed facilities, or with whom it may enter into derivative transactions, or with whom funds may be deposited. The longer the maturity of the commitment period, derivative or investment, the greater the counterparty credit risk, and hence the minimum credit quality requirements will be more stringent.

Investing and Depositing Surplus Funds

FHG may only invest with/lend to institutions regulated by the Financial Services Authority (or the appropriate supervisory body in the European Economic Area in which they are incorporated or formed) or the Building Societies Commission, subject to meeting all of the following minimum credit rating criteria contained at Appendix one.

The Director of Finance and Governance is responsible for monitoring the credit standing of all approved investment institutions and for identifying and using appropriate external information services. In the event of an approved investment institution being downgraded below the Group's minimum credit criteria, invested funds will be removed upon maturity.

The maximum amount invested at any time with an approved investment institution may not exceed £1m or if greater than £1m, 35% of the total surplus funds invested and have a maturity not exceeding 365 days. The only exceptions to these limits will be the Group's clearing bankers with whom deposits in excess of this amount may be made for up to seven days from the date of unexpected funds and for sinking funds, where 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.

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.

Borrowing

Where borrowings are to be included in the calculations of liquidity (as set out in "Liquidity Risk Management") the lender must have a minimum credit rating equivalent to those set out at Appendix one.

Where borrowings are to be made for refinancing, residual funding or any other circumstances where such borrowings are not included in the calculations of liquidity, there is no requirement for the lender to have a credit rating.

2.4.2 Appendix one details the minimum acceptable levels for Counterparty Credit Risk Management. These minimum levels can be amended by the CEO but any such amendments must be reported to the Board.

2.5 Refinancing Risk Management

2.5.1 FHG will prepare reliable forecasts of both the terms and maturities of current borrowings and anticipated net development expenditure. It will ensure that its borrowing arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to FHG as can reasonably be achieved in the light of market conditions prevailing at the time.

2.5.1 Appendix one to this TMP details the target level of maximum exposure to refinancing in any 12 month period.

2.6 Legal and Regulatory Risk Management

2.6.1 FHG 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. In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may affect with FHG, particularly with regard to duty of care and fees charged.

2.6.1 FHG 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 FHG.

2.7 Fraud, Error and Corruption, and Contingency Management

2.7.1 FHG will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, software or hardware failure or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements.

2.8 Treasury Operational Risk

2.8.1 To mitigate Treasury operational risk, FHG shall have in place stringent control frameworks.

2.8.2 The FHG control framework shall include, but not be limited to:

- Policies;
- Procedures;
- Limits;
- Mandates;
- Segregation of duties;
- Reconciliation;
- Confirmation;
- Documentation;
- Management reporting; and
- Compliance monitoring.

2.9 Market Risk Management

2.9.1 FHG 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. Performance Measurement

3.1 FHG is committed to the use of qualitative and quantitative performance measurement indicators for its treasury function.

3.2 Accordingly, the treasury management function will be subject to ongoing analysis of the value it adds in support of FHG’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.

3.3 Performance measures relating to investments will revolve around the calculation of financial results within the agreed risk limits.

3.4 Performance measures relating to service will focus on the value added to the organisation as a whole and meeting the set objectives.

3.5 Measures will include, but will not be limited to:

- Dealing performance;
- Hedging activity;
- Cash forecasting performance;
- Level of service;
- Controls compliance; and
- Cost performance.

3.6 Appendix five "Treasury KPI's" sets out an indicative list of the qualitative and quantitative performance measures, the details of which are subject to annual Board approval.

4. Decision-Making and Analysis

4.1 FHG will maintain full records of its treasury management decisions, and of the processes and practices 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 taken into account at the time.

Borrowing (where a loan has already been approved by the Board)

Delegated authority to Borrow funds is placed with the Director of Finance and Governance. The amount of borrowings required will be dictated by the business cash flow requirements and proposed development plans (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.

Investing

Responsibility for controlling investments rests with the Director of Finance and Governance. The value of investments will be dictated by the business cash flow requirements and proposed development plans. 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.

- FHG will maintain a list of institutions with whom it will invest. These will meet the necessary minimum criteria as set out in this Policy; updated at least annually as part of the treasury strategy;

- The Director of Finance and Governance will liaise with external consultants to receive regular updates on the credit standing of the preferred list and will be authorised to add or remove firms as seen fit; and
- When significant funds are available to invest (typically greater than £0.5m) the Director of Finance and Governance will approach at least two of the 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 Trust's standing orders/treasury procedures at the best rates available.

5. Approved Instruments, Methods and Techniques

5.1 FHG will undertake its treasury management activities by employing only those instruments, methods and techniques detailed at Appendix two, and within the limits and parameters defined in "Risk Management" section above.

6. Organisation, Systems, Clarity and Segregation of Responsibilities, and Dealing Arrangements

6.1 FHG considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of maximum effectiveness that there is at all times clarity in the chain of command for treasury management responsibilities so that there is clear accountability.

6.2 Systems will be implemented for all aspects of the Treasury Function and will be subject to audit by both FHG's Internal and External Audit functions. The Director of Finance and Governance will ensure that there are written procedures that cover all processes and systems. The procedures will be reviewed at least every two years, or earlier as circumstances change. Staff will adhere to the documented system processes at all times.

6.3 FHG considers it desirable, for the purposes of reduction of the risk of fraud or error, that there is a clear separation between front office and back office activities but recognises that within a small Treasury team this may not always be practicable. The front office includes those persons charged with implementing policies and executing transactions with counterparties, including negotiating new funding facilities or other contracts and treasury dealing. The back office consists of those responsible for signing confirmations, transmission of funds, recording and administering of treasury management decisions and audit of the treasury management function.

6.4 The Treasury Function will strive for continuous improvement in the effectiveness of the Treasury Systems that it adopts for the provision of services to its customers and supporting FHG in delivering its business plan objectives; to the extent that this objective does not compromise the achievement of FHG's overriding commitment to a robust system of internal financial control.

6.5 The Director of Finance and Governance will ensure that there are clear written role profiles for each post engaged in treasury management, and the arrangements for absence cover.

6.6 The Director of Finance and Governance will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

6.7 The Director of Finance and Governance holds operational responsibility for treasury policies, procedures and activities. The Board has responsibility for the annual monitoring and review of the Treasury Management Policy and of the Annual Treasury Report.

6.8 Where executive decisions on borrowing, investment or financing are delegated by the Board to the CEO and/or in turn to the Director of Finance and Governance this will be documented either by means of the Annual Treasury Plan approved by the Board or elsewhere such as in Board Minutes. The CEO and the Director of Finance and Governance will fulfil all such responsibilities in accordance with this Policy Statement and in accordance with best professional practice.

Authority retained by the Board:

- Approval of Treasury Policy;
- Approval and acceptance of all Loan and Funding Agreements, on the recommendation of the Chief Executive and the Director of Finance and Governance having sought the advice of suitably qualified advisors as considered appropriate, taking account of approved delegations and the agreed reporting framework;
- Approval of short term overdraft facilities i.e. outside of normal arrangements;
- Approval of the Annual Treasury Strategy on the recommendation of the Executive Management Team;
- Approval of interest rate fixing and target interest rates;
- Approval of bank and dealing mandates;
- Approval of banking services;
- Approval of the investment counterparties;
- To consider at least annually the Trust's policy on all treasury matters (both borrowing and investment);
- To monitor and review six monthly the Trust's loan portfolio and covenants; and
- To review investment of surplus funds.

Authority delegated to the Chief Executive:

- Assure the appropriate implementation of the Annual Treasury Strategy, as approved by the Board;

- Approval of Treasury Management Procedures;
- Execution of interest fixings, Interest Rate Caps and any other risk management instruments that are within the rules of the Trust under authority delegated by the Board;
- Supervision of Director of Finance and Governance; and
- To review terms and documentation on all borrowing arrangements and to make recommendations to the Board as appropriate.

Authority delegated to Director Finance and Governance:

- Implementation of the Annual Treasury Strategy, as approved by the Board;
- Authorisation of investments entered into pursuant to this treasury policy;
- Placing the drawdown of loans under approved loan facilities Arrangement of cash transfers relating to borrowing and investing activity;
- Opening of new treasury bank accounts once approved by the Board;
- To ensure that the Trust's Treasury Bank Accounts are reconciled to Treasury schedules properly and regularly;
- Delivery of the Annual Treasury Report to the Board;
- Investment of cash surpluses for periods of up to twelve months with institutions meeting the criteria for credit quality; and
- Arrangements for the regular banking tender.

7. Reporting Requirements and Management Information Arrangements

7.1 FHG will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implication of changes resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

7.2 As a minimum, the Board requires to receive:

- An annual report on the plan to be pursued in the coming year (the Annual Treasury Plan (ATP); and
- An Annual Treasury Report (ATR) on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with FHG's TMP statement. This ATR will then serve as the formal record of treasury management activities during the year.

7.3 The ATR will normally summarise matters that have been reported as part of the Quarterly Treasury Reports (QTR) and other routine treasury updates presented to FTC / Board during the year.

7.4 The present arrangements and the form of these reports are detailed in Appendix three.

7.5 Reports to funders will be made in accordance with their requirements.

8. Budgeting, Accounting and Audit Arrangements

8.1 The Director of Finance and Governance will prepare an annual budget for treasury management as part of FHG's budgetary process, which will bring together all of the costs involved in running the treasury management function, together with any associated income. The Director of Finance and Governance will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with the previous section.

8.2 FHG 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.

8.3 FHG 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.

9. Cash and Cash-flow Management

9.1 Unless statutory or regulatory requirements demand otherwise, best endeavours will be used to ensure that all monies in the hands of FHG will be aggregated for cashflow and investment management purposes. Cashflow projections will be prepared on a weekly, monthly and annual basis, and the Director of Finance and Governance will ensure that these are adequate for the purposes of monitoring and forecasting FHG's liquidity requirements.

9.2 FHG will prepare annual cashflow forecasts for each financial year as well as rolling twelve month cashflow projections.

10. Money Laundering

10.1 FHG 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 ensure that colleagues involved have been appropriately trained in the legal requirements pertaining to money laundering and, in particular "know their clients and counterparties". Any suspicious activities are to be reported to the Director of Finance & Governance.

It is the duty of all colleagues entering into an arrangement with a customer, supplier or potential customer or supplier to ensure that the customer, supplier or potential customer or supplier is bone fide and that the arrangement is legitimate and that the arrangement is not being entered into for money laundering purposes. As a general rule, members of staff will be expected to "know the customer or supplier" and if in any doubt to seek independent verification of both the identity of the customer, supplier or potential customer or supplier and that the arrangement is reasonable.

- FHG will maintain its records for five years;
- Records will contain sufficient information that the following information can be ascertained:
    - the identify of all parties to a transaction;
    - the name and address of the customer or supplier;
    - the name and address of any other party to a transaction;
    - details of the transaction;
    - the form of instruction or authority; and
    - details of any payments made by or to the Group.

- All cash received greater than £2,000 in a single transaction will be reported to the Director of Finance & Governance;
- There is an obligation on all colleagues to report suspicions of money laundering to the Director of Finance & Governance. Once a colleague has reported a suspicion of money laundering, they have fully satisfied their statutory obligations;
- On receiving a report of a suspicion of money laundering the Director of Finance and Governance will initially seek to validate that suspicion. In this, they will have access to such records as they feel necessary;
- The Director of Finance and Governance will record in the details of any suspicion of money laundering brought to their attention, the actions taken to validate that suspicion and the results of that validation; and
- If the Director of Finance and Governance concludes that the suspicion is valid they will report the matter fully, in writing to the Serious Organised Crime Agency (SOCA) using a standard online Suspicious Activity Report Form (SARF), see www.soca.gov.uk.

All colleagues will be made aware of these procedures and the reasons for them. Any amendments to the Regulations concerning money laundering will be brought to the attention of all colleagues immediately.

11. Staff Training and Qualifications

11.1 FHG recognises the importance of ensuring that all colleagues involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Director of Finance and Governance will seek to appoint individuals who are both capable and experienced and that training will be provided for colleagues to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The CEO will be fully responsible for the competence of the individuals to whom they delegate.

11.2 FHG also recognises that those charged with governance of FHG should receive training to equip them in their decision making and should also contain members with relevant skills and experience within their number.

11.3 The CEO must ensure that the activities undertaken by treasury are in line with the experience and skills of the colleagues and their external advisors and that they are able to supervise the staff by asking the relevant questions.

11.4 The Board and the CEO must ensure that the Director of Finance and Governance has the necessary skills and experience to cope with the level of complexity of FHG’s treasury management function.

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11.5 At all times it must be clear who the responsible individual is and who is responsible for delegating to such an individual. Lack of clear accountability constitutes a major risk.

12. Use of External Service Providers

12.1 FHG recognises the potential value of employing external providers of treasury advisory services, in order to acquire access to specialist skills and resources.

FHG will consider the use of external advisers 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.

Before engaging such service providers, we will ensure that a full evaluation of the costs and benefits has been undertaken and that the terms of their appointment are properly agreed, and subjected to regular review. The monitoring of such arrangements, including assessment of value for money achieved, rests with the Director of Finance & Governance.

13. Corporate Banking Arrangements

13.1 FHG aims to achieve best value from its day to day corporate banking arrangements and will review its arrangements on a periodic basis with reference to the suitability of current arrangements to meet the requirements of the business, potential to procure services that will improve the effectiveness of the Treasury Systems and their competitiveness against the market. The review period will be agreed by the Board.

14. Acting outside The Limitations Of The Treasury Policy In Exceptional Circumstances

14.1 It is recognised that in exceptional circumstances the CEO may consider that it would be detrimental to the interests of FHG to comply with an aspect of this treasury policy. These instances are most likely to happen in situations where swift action is required outside of the normal Board meeting cycle. For instance, in a period of high counterparty risk it may be necessary to fully draw on low margin facilities because of rumours in the market about the credit risk of a given banking institution.

14.2 Where the CEO considers such action is required, they will notify either the Chair of the FHG Board or the Chair of Audit & Risk Committee to obtain approval to act outside this policy. The request for approval will include the reasoning behind the request, the proposed action, and the expected duration of any breach.

14.3 Any action taken under this section will be reported to the Board as soon as practicable, and in any event, no later than at its next meeting.

APPENDIX 1: RISK MANAGEMENT ARRANGEMENTS

1. RISK APPETITE

1.1 The Board's risk appetite statement for all of FHG's activities is reviewed annually. In relation to finance and treasury the Board has defined its risk appetite as "cautious".

1.2 All treasury activities will be undertaken by reference to the Board defined risk appetite.

2. Liquidity Risk Management

2.1 FHG 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.

2.2 Liquidity will be managed by:

- Daily monitoring of cleared bank balances
- Effective cashflow forecasting and monitoring systems to identify potential shortfalls against available facilities
- Diversifying risk by spreading available facilities through different counterparties
- Minimising borrowings by only drawing down funds when required and repaying when cash is available and it is beneficial to do so (whilst paying due regard to counterparty risk of not being able to draw down funds from given bank counterparties)
- Monitoring the spread of maturities on available facilities
- Monitoring the interest basis and ensuring the most appropriate basis is used
- Monitoring the mark to market and collateral positions on any stand-alone derivatives.

2.3 Liquidity will be sourced, within the Counterparty Guidelines below, by a combination of:

- Bank overdraft facilities with the main relationship banks
- Committed loan facilities
- Cash deposits and investments at hand.

2.4 The Annual Treasury Management Strategy will contain a proposed liquidity maintenance requirement for the following financial year, subject to the overriding requirement that the Group'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:
- 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, which would include secured revolving credit
- Undrawn available overdraft facilities

Short Term Funds equal to the forecast outflow for the next three calendar months. Short Term funds are defined as:

- Liquid funds;
- Cash balances with a deposit maturity/notice period of between seven days and one month; and
- 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:

- Short Term funds;
- Cash balances with a deposit maturity/notice period of one to three months; and
- 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. Loan Administration

3.1 FHG will have processes in place to manage drawdowns, security, balances, capital repayments, interest, and fees.

3.2 A process for recording and checking the security applied to each facility to ensure sufficient security is in place ahead of projected debt drawdown will be in place.

4. Interest Rate, Inflation and Covenant Breach Risk Management

4.1 The Director of Finance and Governance is responsible for monitoring FHG's interest rate risk exposures and for implementing the strategy for the management thereof within the guidelines and policies established in this Treasury Management Policy and the Annual Treasury Plan.

4.2 FHG risk appetite is defined and agreed by the Board and this is to guide the funding structure proposed through the ATP. Through stress tests and simulations of the business plan, FHG will form its view of the nature of the liabilities which it is prepared to assume and in what proportions. In determining the optimum fixed, variable and inflation-linked mix of debt, FHG will pay due regard to the following:

- FHG will minimise the risk of covenant breach in the short to medium term;
- Where there is a significant probability of a covenant breach in the medium term, FHG will decide early whether to renegotiate covenants with lenders or to alter the business plan or funding strategy to reduce the risk. The former should be considered whenever it is felt that the covenant would impose a divergence from the desired strategy;
- Long term risk cannot be eliminated and can only be managed as a risk-return trade-off. It is therefore impossible to consider this risk independent of long term cost implications. For example, there is evidence that over the long term variable rates tend not to increase as much as the yield curve predicts (in a positive sloping yield curve environment) resulting on average in lower costs for variable rate debt over the long term than for fixed rate debt; and
- The usefulness of Inflation-linked debt to aid long term cash-flow stability.

4.3 The extent to which FHG is exposed to variable interest rates will be determined in the Annual Treasury Plan, and will be expressed in terms of percentage mix, with permissible ranges within which the Director of Finance and Governance can operate. Having regard to future projected funding requirements, likely sources of funding and repayment of existing debt, the Director of Finance and Governance will ensure that FHG does not become over-hedged.

4.4 The target optimum mix of debt will be the result of stress tests and simulations based on both subjective judgements and historic relationships between fixed and variable interest rates and inflation and the links between FHG's debt servicing costs and its revenues. Although the determination of this optimum is not an exact science, the Director of Finance and Governance should always aim to achieve this optimum mix and then maintain it. A short term view of the direction of the markets may influence where in the range the Director of Finance and Governance decides to operate.

4.5 Variable rate includes borrowing linked to LIBOR, Clearing Bank Base Rate, or Building Societies' Base Rate. Fixed rate interest includes borrowing in relation to which the interest rate has been fixed, and the remaining period is in excess of twelve months.

4.6 In managing FHG's interest rate, inflation and covenant breach risk in line with the above, the Director of Finance and Governance pay due regard to the following:

- the impact on the Statement of Comprehensive Income of expected movements in interest rate and inflation;
- the current term structure of interest rates and its forward market implications;
- current interest rates and breakeven inflation implied by the forward markets, compared with historic trends and actual inflation;
- expected future trend movements;
- Policy and/or budgetary implications;

- Financial Reporting requirements, existing and proposed; and
- The cost of cancelling any hedging arrangement.

Surplus funds

4.7 Given the relative size of FHG's debt, together with the fact that borrowing costs are generally higher than investment returns (in credit risk free or nearly credit risk free, short term deposits), the investment management strategy of the treasury department should be to maintain on demand cash deposits at the minimum level consistent with the liquidity management policy. FHG will, therefore:

- Utilise surplus funds to pay down revolving credit facilities;
- Place surplus funds either with a counterparty from which FHG has currently borrowed money (ensuring the deposit is with the same legal entity as the debt) or with sterling denominated money market funds, to the extent of the limits set out in 4.16 below;
- allocate funds within counterparty credit policy and liquidity policy guidelines so as to maximise returns;
- prepay debt whenever investments are expected to exceed the requirements of the liquidity management policy for a prolonged period of time, and it is economically beneficial to do so; and
- where funds are required to meet maturing borrowings, place deposits matching the anticipated maturity as closely as possible.

Use of derivative instruments

4.8 To manage the mix of fixed, variable and inflation-linked debt, FHG will use a combination of:

- Stand-alone derivatives outside loan agreements (subject to FHG's Rules);
- Swaps within loan agreements, provided that the loan contains suitable contractual formulae for the valuation of unwinds; and
- and should ensure that there is an economic relationship between the hedged item and the hedging instrument.

4.9 FHG will only use derivatives for managing interest rate risk and not for speculative purposes. All derivative transactions will be subject to standard ISDA documentation, taking care to ensure that the schedules and credit support annex contain appropriate terms, e.g. covenants not more onerous than those on the loans and a suitable security threshold.

4.10 Stand-alone derivatives can consume security if the market moves in an adverse direction. For this reason, the Director of Finance and Governance will monitor the Mark to Market value of derivatives, and ensure sufficient security is available to meet any requirements.

4.11 FHG shall have the power to enter into and perform a swap transaction, or series of swap transactions, where the entry into such transaction(s) is considered to be in the best interest of FHG. “Swap transaction” has the meaning given in the definition of “swap transaction” appearing in the 2006 ISDA Definitions i.e. a rate swap transaction, basis swap, forward rate transaction, interest rate cap transaction, interest rate floor transaction, interest rate collar transaction, or any other similar transaction, including an option transaction, and for the avoidance of doubt shall include a retail prices (or other published index) transaction and any contract for differences.

4.12 Counterparties will be required to confirm transactions in writing to FHG. The Treasury back office will be responsible for reconciling them with the front office’s records.

Covenant compliance

4.13 The Director of Finance and Governance will maintain details of any contractual financial covenants, and will retain copies of all relevant contracts for reference and audit.

4.14 FHG will only undertake any action requiring a lender’s consent or covenant waiver, when in receipt of written consent or a formal waiver letter.

Cashflow basis/timing mismatch

4.15 FHG will endeavour to maintain a “simple” (i.e. avoiding, whenever possible, inflows not matched by outflows) portfolio of fixed, floating and inflation-linked debt unless it is economically advantageous to do otherwise

Counterparty Credit Risk Management

4.16 The following criteria apply:

Counter-party	Min credit rating from S&P/ Moodys/ Fitch	Max term	Max Peak Exposure Amount per Counter-party	Other
Short term deposits	Short term – one of A1/P1/F1 AND Long term – one of A/A2/A	1 year	£10m	FHG's clearing bank to have unlimited exposure, but only if necessary. Deposits with lenders are limited to the higher of £10m (provided the rating requirements are met) and the principal outstanding on the loan (no rating requirement).
Sterling denominated money market funds	Long term AAA – one such rating required		Unlimited	Regard shall be had to the size of the fund, the maturity profile, exposure to significant individual investments and other liquidity risks in determining the extent of FHG's investment
UK Government Gilts	n/a		Unlimited	Investment is permitted in UK Government issued gilts that have only a short period to maturity (not >1year)
Loans for liquidity purposes	Short term – one of A1/P1/F1 AND Long term – one of A-/A3/A-	N/a	N/a	

Approved Counterparties for Derivative Financial Instruments

4.17 In the case of embedded swaps with counterparties who are also funders of FHG and where FHG is not required to post security collateral, counterparty risk is not considered to be a significant issue. In the case of stand-alone derivative transactions under ISDA arrangements FHG will consider potential counterparties according to their financial strength, as measured by their credit ratings. FHG will spread risk in relation to derivatives across a portfolio of counterparties.

4.18 FHG will maintain two lists of potential counterparties, List A and list B, which reflect different levels of counterparty financial strength and set limits on FHG's counterparty exposure.

The following will be eligible for Derivative Counterparty List A:

4.19 Banks and Building Societies authorised by the Financial Conduct Authority (or EEA authorised through the FCA's passport scheme) and other corporate bodies which meet at least two of the following three conditions:

- have a long term rating of AA- or higher from Standard and Poor's;
- have a long term rating of AA- or higher from Fitch; and
- have a long term rating of Aa3 or higher from Moody's.

4.20 Pension funds, insurers and non-financial corporate bodies with an internal long term rating equivalent or higher than AA- from Standard and Poor's or Aa2 from Moody's (pension funds and insurers do not have ratings, and will need to be assessed on a case by case basis).

4.21 In relation to Counterparty List A, before entering any new derivative transaction, FHG will consider aggregate nominal exposure to the proposed counterparty and this aggregate exposure inclusive of the proposed transaction should not exceed £50m without prior agreement of the Board. In the case of existing derivatives there is no obligation to reduce any nominal exposure to £50m.

The following will be eligible for the Derivative Counterparty List B:

4.22 Banks and building societies authorised by the Financial Conduct Authority (or EEA authorised through the FCA's passport scheme) and corporate bodies which meet at least two of the following three conditions:

- have a long term rating of A- or higher from Standard and Poor's;
- have a long term rating of A- or higher from Fitch; and
- have a long term rating of A3 or higher from Moody's.

4.23 Pension funds, insurers and non-financial corporate bodies with an internal long term rating equivalent or higher than A- from Standard and Poor's or A2 from Moody's.

4.24 In relation to Counterparty List B, before entering any new derivative transaction, FHG will consider aggregate nominal exposure to the proposed counterparty and this aggregate exposure inclusive of the proposed transaction should not exceed £25m without prior agreement of the Finance & Treasury Committee. In the case of existing derivatives there is no obligation to reduce any nominal exposure to £25m.

4.25 The above measure of the credit exposure for each counterparty will be measured by way of simulation analysis taking the '5% peak credit exposure' through time for the portfolio of stand-alone derivatives with that counterparty or an alternative derivative marked to market exposure projection/simulation model.

4.26 If possible, FHG will spread transactions over a number of financial institutions at a level appropriate to their efficient management.

4.27 The Director of Finance and Governance will monitor the credit quality of all counterparties. 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 FHG Board on an exception basis with appropriate recommendations, which might include proposals to unwind the derivative transaction.

4.28 Derivatives contracts may be of long maturity. For this reason, FHG should be prepared to unwind or request novation of the derivative if the credit quality of the counterparty deteriorates beyond an acceptable level.

4.29 Overall exposure to counterparty is not necessarily the sum of peak credit exposure calculations for each of the transactions with that counterparty. For example, a fixed to floating swap and a floating to fixed swap could have the same individual exposures, but because they work in opposite directions, the net exposure to the counterparty will approximate to zero if the swaps have similar duration.

5. Refinancing Risk Management

5.1 The Director of Finance and Governance will carry out an annual review of all ISDA schedules, loan and related documentation to evaluate whether the documents are still acceptable to FHG's corporate objectives and the current market. This review will focus on interest rate comparisons that take into account the total economic value, and will evaluate alternatives by comparing net present values at FHG's cost of new funds expressed as a spread over the swap curve.

5.2 FHG will aim to ensure that no more than 10% of debt matures in any twelve month period over the next five years unless replacement finance has been arranged.

5.3 If more than 10% of debt matures in any twelve month period over the next five years then this must be detailed either in the Quarterly Treasury Report or in a report by the Director of Finance and Governance to the Board.

Appendix 2: Approved Instruments, Methods & Techniques

1. Capital Finance

1.1 The Director of Finance & Governance, by way of delegated authority from the CEO is responsible for and oversees all funding activities on behalf of FHG. No commitment to enter into new funding facilities may be entered into without the specific approval of the FHG Board.

1.2 When considering whether to commit to borrowing funds, the Director of Finance and Governance will consider the following 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 of the Trust's ability to comply therewith;
- details of security arrangements;
- comparison with other offers and a cost benefit analysis;
- compliance with the Trust'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.

2. Appropriate Methods Of Funding

2.1 FHG may borrow by means of overdraft, revolving credit facilities, money market facilities, term loans, commercial paper, bonds and other capital market debt, securitisations, notes, recoverables sold or discounted, lease, hire purchase or conditional sale agreement and other sources specifically approved by the FHG Board provided that such borrowing is within agreed risk appetite.

3. Terms And Conditions Of Capital Finance

3.1 It is the CEO's responsibility to ensure that all borrowing is executed on the best commercial terms possible. It is the Director of Finance and Governance's responsibility to advise the CEO concerning such terms.

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

3.3 FHG will endeavour to ensure that its borrowing arrangements permit maximum flexibility to release and substitute charged assets and will grant floating charges on an exceptions basis only.

3.4 FHG will endeavour to ensure that provisions for the calculation of the unwind of fixings and the prepayment of loans with existing fixings will include two-way break clauses calculated in an objective manner (e.g. by reference to market quotation methods in the event that the parties fail to agree the unwind value).

3.5 FHG will endeavour to ensure that any derivative transactions embedded in a loan may be novated to another counterparty and/or that they may be transferred to a stand-alone ISDA agreement should the loan be repaid, refinanced or it becomes economically advantageous to do so.

4. Investment

4.1 Subject to the limits and credit criteria specified in Appendix one, FHG may invest surplus funds in the following approved instruments:

- Short term deposits;
- Money market funds;
- Certificates of Deposit or Bills of Exchange issued by authorised institutions; and
- UK Treasury Bills, UK Government bonds and repurchase agreements (repos) / reverse repos in UK Government securities.

4.2 Any other investments, such as corporate bonds for example when required as part of a bond issue, will require the specific approval either of the FHG Board or, if delegated, of the FTC.

5. Collateral (security)

5.1. It is the Group's general policy to maintain the minimum level of asset cover required by lenders. At the same time, the Trust will endeavour to ensure that its 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.

Appendix 3: Reporting and Management Information Requirements

1. Annual Treasury Plan (Atp)

1.1 The Director of Finance and Governance will prepare for the FHG Board an Annual Treasury Plan (ATP). This will set out FHG's aims and objectives as they apply to treasury management for the following year.

1.2 The ATP authorises the CEO (and as appropriate may delegate to the Director of Finance & Governance) to enter the hedging transactions contemplated by it, without further approval of the FHG Board. The CEO (and as appropriate may delegate to the Director of Finance & Governance) is also expressly authorised to make borrowings from FHG's committed facilities in line with the total borrowing requirements forecast by the approved Business Plan. The CEO's obligation is to act within the terms of the Treasury Management Policy, and report transactions to the FHG Board, in accordance with their respective Terms of Reference.

1.3 The ATP shall contain such financial and other relevant data that the CEO considers is necessary for the Board to understand FHG's planned treasury activities. It is noted that the Annual Business Plan contains many treasury details, including projected borrowings, covenant compliance and sensitivity analyses, which otherwise may have been presented in the ATP.

1.4 In preparing the ATP, the Director of Finance and Governance will pay regard to the following:

- achievement of FHG's financial strategy and operational plan;
- ensuring that FHG has sufficient cash resources available to meet both its long term and planned short term needs; and
- Ensuring that FHG 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.

2. Annual Treasury Report (Atr)

2.1 The Director of Finance and Governance will also submit an Annual Treasury Report (ATR) to the Board who will make this available to the Board. The Report will cover 12 months of the treasury operation and include final annual measures of performance. 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 ATR will summarise the Quarterly Treasury Reports, other matters reported to the Board during the year and any other matters necessary for a full understanding of treasury activities.

3. Quarterly Treasury Report (Qtr)

3.1 The Director of Finance and Governance will deliver a report to FHG's funders, with a copy to FHG's Board meeting immediately following the end of each financial quarter detailing the following:

- an analysis of current borrowings, including the fixed, variable, and inflation linked debt mix;
- an analysis of financial covenant compliance;
- an analysis of current investments;
- commentary on the outcome of treasury operations for the quarter just ended
- cashflow compared to budget and an explanation of variations; and
- a statement of interest rate risk management transactions during the preceding financial quarter.

The Director of Finance and Governance will deliver a report to the Board meeting that follows each quarter end detailing the following:

- Commentary on progress towards achievement of the ATP and any recommended adjustments thereto;
- Revisions to the current twelve month cash flow forecast;
- A review of interest rate trends and the impact on the current ATP and any revenue effect;
- Any recommended adjustments to the current interest rate risk management policy contained in the ATP;
- the mark to market position relating to any derivative transactions, together with the security utilisation exposure by counterparty;
- the mark to market position relating to any derivative transactions;
- for counterparties with whom FHG have derivative transactions, the level of excess security subsequent to loan asset cover requirements and capacity to meet current and potential derivative transaction security exposures; and
- any matters where the Treasury Management Policy or ATP have not been complied with.

APPENDIX 4: TREASURY AUTHORISATION LIMITS

1. Interest Rate Management (Hedging)

1.1 Any new counterparty for hedging purposes has to be approved either directly by the Board or by the FTC under authority delegated by the Board.

1.2 Any new master agreement under the standard International Swaps & Derivatives Association (ISDA) terms has to be considered and approved by the Board.

1.3 In relation to any new interest rate hedge, subject to;

- The counterparty having been previously approved by the Board; and
- The interest hedge remaining within the defined limits; and
- A business case for the hedge having been presented by the Director of Finance and Governance to the CEO then any two out of the following three officers, Chief Executive, Director of Finance and Governance and Director of Operations may commit FHG to the hedging arrangement.

2. Funding Policy

2.1 To enter into any funding agreement:

- A business case and supporting documents have to be presented to the Board by the CEO or Director of Finance and Governance who have to consider, scrutinise and constructively challenge these,
- The funding documents have to be considered by FHG's legal advisors who must report thereon; and
- The FHG Board must approve the agreement.

2.2 At all times FHG should aim to maintain two years of expected net development expenditure ("facility headroom") within un-utilised but committed funding facilities, such figure to take account of cash deposits and short term liquid deposits/investments. It is recognised that at any time the facility headroom will vary according to the timing of arrangement of new facilities and the pattern of expenditure. Facility headroom must not fall below 12 months of expected net development expenditure and any shortfall must be reported monthly to the FHG Board together with a plan for remedial action.

2.3 At all times FHG should aim to maintain sufficient security headroom which is the sum of cash on deposit plus fully secured but undrawn facilities, to cover the sum of twelve months expected net development expenditure and the additional security required to meet the '5% worst case' margin call outcome of a simulation analysis or an alternative derivative marked to market exposure projection/simulation model. Security headroom must not fall below the sum of 6 months expected net development expenditure and the 5% worst case margin call position or an alternative derivative market to market exposure projection/simulation model. The Board will monitor the facility and security headroom.

3 Investment Criteria

3.1 An Independent Financial Review ("IFR") must be conducted on any investment, including property acquisition and development, where the expected expenditure is £2m or more. Development sites undertaken in multiple phases shall be considered in aggregate for the purpose of this £2m limit. Any Executive Board Director or the Director of Finance and Governance can request that an IFR is produced in respect of any investment which falls below the £2m limit. The results and conclusions of the IFR are to be documented in writing.

3.2 The detailed work to be undertaken within an IFR, and the information to be documented, is to be determined by the CEO and Director of Finance & Governance. The IFR process and documentation required is to be written down, and may be amended as required, but do not form part of these Treasury Authorisation Limits. However, the IFR is likely to include consideration of the risks in relation to the proposed investment in comparison to FHG's defined risk appetite, a check upon the mathematics of the Internal Rate of Return ("IRR"), payback period and Statement of Comprehensive Income impact and consideration of the underlying assumptions to ensure that these are reasonable and appropriate together with providing assurance that the business has the funding capacity to undertake the proposed investment.

3.3 The IRR calculation, for the purpose of considering whether the hurdle rate has been cleared, should ignore the impact of the contribution from potential future stair-casing on shared ownership properties.

3.4 The methodology for determining the 'base' hurdle rate to be used will be:

- the expected new long-term cost of debt (calculated through the sum of the 30 year gilt yield and expected achievable credit margin);
- multiplied by the tightest interest cover covenant; and
- plus a suitable risk buffer.

3.5 The risk buffer to be applied is to be agreed with the Board as part of the approval of the ATP.

3.6 For example, if the 30 year gilt yield is 3.5%, the expected credit margin achieved 1.5% and the tightest interest cover 110%, and the Board felt a risk buffer of 10% was appropriate, the hurdle rate to be applied would be calculated as follows: IRR Hurdle = [(3.5% + 1.5%) x 110%] x 10% = 6.05%.

3.7 The base hurdle rate, calculated in accordance with the above methodology, is to be presented annually to the Board within the ATP and is to be approved by the Board.

3.8 The hurdle rates, that is to say the minimum acceptable IRR, for investments are as follows:

- General Needs = base hurdle rate as above;
- Investment in any for profit development activity = base hurdle rate + commercial risk premium. To be considered on case by case basis but premium expected to be at least 10%; and
- Other investments = to be approved by Board on a case by case basis.

3.9 Where a scheme is subsidised by means other than capital grant, such as through capacity generated from re-letting as affordable rent, then the scheme's IRR must be calculated pre-subsidy and post-subsidy. The IRR post-subsidy must meet the hurdle rates set out in 3.7.

3.10 Consideration of any investment should include an assessment of the security efficiency of the investment, that is to say how the security value generated compares with the cash expenditure necessary to acquire the investment.

3.11 Any investment which requires an IFR should be put before the Board .If an individual project does not meet the hurdle rate it would not normally be brought to the Board for approval, unless there are exceptional strategic or other reasons for doing so.

Appendix 5: Treasury Key Performance Indicators

1. Introduction

1.1 The treasury function does not tend to lend itself to easily measurable performance indicators. By its nature, treasury's role is to protect and enable the rest of the business; yet exogenous events can greatly influence treasury outcomes – therefore measurement of the performance of the treasury team will take account of such factors.

1.2 This paper explores FHG's approach to measuring treasury performance. FHG believe that a 'rules' approach can only lead so far, and that it is appropriate to consider the questions / challenges against which the performance of the treasury function may be judged.

1.3 It is appropriate for the Director of Finance and Governance to recommend to Board, and for the Board to approve annually, the measures to be applied to assess the performance of the Treasury team and it is recognised that these will change from year to year to reflect FHG's business circumstances in the wider economic environment.

1.4 Each of the sub-sections below sets out likely criteria / activities / tests that may be undertaken to test the performance of the treasury team.

2. Key Performance Indicators: Checklist For An Annual Review

Purpose

- Does the treasury function have a clearly defined purpose?

Business Planning and Budgeting

- Has the capacity of the business for future development been tested under varying grant, rental income, interest rate, and inflation scenarios?
- Has the probability of covenant breach been tested under macroeconomic scenarios?
- Are business plan macroeconomic assumptions based on market expectations?
- Have actual macroeconomic conditions been reflected in business plan scenario testing?
- Were actual macroeconomic conditions captured within the scenarios modelled at the start of the business planning period?
- Have the differences between budget and outturn been identified and adequately explained?
- What steps have been taken to improve budgetary forecasts for the next planning period?
- Are pension risks incorporated in the business plan?

Execution

- Were competitive prices sought at all reasonable opportunities?
- Have transaction costs been calculated and recorded?
- Are transaction costs reasonable, e.g. relative to historic transaction costs / peers?

Cash and Liquidity

- Has a strategic decision been made, within the period, in relation to the target balance between risk and return in the cash and investment portfolio?
- What criteria, beyond the Treasury Management Policy Statement, have been used to evaluate counterparty risk (e.g. CDS, equity prices, news), and do these reflect the strategic intent (as above)?
- Are contingency plans in place to allow the business to move cash balances at short notice, and have these been tested on a regular basis?

Funding and Security

- Does the business have a plan for securing future funding well in advance of its expected deployment, and an associated timetable?
- Are there opportunities to generate economic savings through refinancing and have these been implemented?
- Does the business have a target credit rating and is performance against it monitored?
- Is there a contingency plan in the event that the expected funding route is not successful?
- Has the business made financial commitments where funding has not already been secured?
- Is the business prepared for adverse valuations?
- Is there a security charging strategy?
- Are the valuations of non-charged assets adequate for the security strategy?
- What is the lead time between assets being constructed / built and the availability of the documentation in preparation for charging?

Compliance and Reporting

- Has the Treasury Management Policy been complied with (e.g. in relation to treasury reporting)?
- Have areas of non-compliance been reported promptly?
- Have all loan facility covenants and other requirements been met?
- If loan facility covenants and other requirements have been breached, were they expected?
- Have all regulatory returns been submitted promptly and accurately?

Interest Rate and Inflation Risk Management

- Has the derivative portfolio been subject to on-going (a) monitoring and (b) review?
- Has cash been used as collateral to meet mark-to-market exposures?
- Has the 5% worst case mark-to-market position or an alternative derivative marked to market exposure projection/simulation been analysed, and are there appropriate contingency plans in place to address this?
- Has the interest cost met budget expectations and have any material variances been analysed and satisfactorily explained?

Investment Appraisal

- Have investment appraisal methodologies been reviewed and benchmarked against competitors and peers?