Treasury Management Policy

Soha Housing Association

Members' Forum Approved	n/a	Board Approved	25 September 2025
EIA Completed	n/a	**Review Date**	By September 2026
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Contents

1. Introduction

This Treasury Management Policy Statement ("Policy") sets out the treasury management policies of Soha Housing Association ("Soha" or "Group") and its subsidiaries. It is reviewed and approved by the Board from time to time. This Policy was approved by the Group's Board on 25 September 2025.

This Treasury Policy has been prepared, having had regard to the following:

- CIPFA: Treasury Management in the Public Services, Code of Practice & Cross-Sectoral Guidance Notes '21 Edition.
- The Rules of the Group and its subsidiaries and any limits therein.
- Regulator of Social Housing: NROSH+ Quarterly Financial and Risk Survey (QS) Guide to QS Completion on NROSH+, as updated from time to time.

2. Group Structure

The Group consists of a number of the following entities:

- Soha Housing Association Limited ("Parent")
- SIB Property Limited
- Soha Response Limited

This Policy applies to each member of the Group, both individually and on a consolidated Group basis, unless specified.

3. Scope

This Treasury Policy is set by the Group Board for the benefit of the Group's stakeholders and employees. It sets out the Group's policy regarding the operation, management and control of its Treasury Activities (see section 6) and the Treasury Risks (see section 7) associated with that activity. The Group's corporate governance framework will ensure that the treasury management function is undertaken with openness and transparency, integrity and honesty. Non-treasury investments are covered in the relevant capital strategy, investment strategy or equivalent.

4. Delegated Responsibility

Subject to the Scheme of Delegated Authority at Appendix B, the Group Board delegates responsibility for the implementation and administration of this Treasury Policy to the Director of Finance & Resources. The Group Board is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

5. General Statement of Treasury Policy

Treasury Risks are an unavoidable consequence of running a business and of engaging in Treasury Activities. The Group's policy is to identify, measure and manage its Treasury Risks in a prudent and risk-averse manner. Generally speaking, mitigating risk will take precedence over economic advantage in its Treasury Transactions and Activities. Subject to this Policy, officers are expected to demonstrate sound commercial judgement in all Treasury Activities.

Section 6 sets out the Treasury Transactions and Activities that are the subject of this Treasury Policy. Section 7 defines the categories of Treasury Risk that are a function of engaging in those activities.

6. Treasury Transactions and Activities

6.1. Debt Finance

The Group's policy is to finance itself with debt (as well as grant funding and internally generated surpluses). For the purpose of this Treasury Policy, debt includes the borrowing of loans from banks and financial institutions, the issuance of debt in the capital markets (public or private) and finance lease arrangements. Debt Finance gives rise to all categories of Treasury Risk and the Group will procure Debt Finance subject to the policies set out in this document.

6.2. Cash and Cash Investments

The Group's policy is to hold cash in its bank accounts and, from time to time, have cash investments placed on deposit in order to manage its day to day working capital and liquidity.

Subject to the Liquidity Policy below (see section 7.1) Cash & Cash Investments will be kept to a prudent (after taking into account prevailing economic conditions) minimum. They will have a term or availability of not more than twelve months (subject to Counterparty Credit Risk), unless otherwise approved by the Group Board. Cash & Cash Investments gives rise to all categories of Treasury Risk, especially Counterparty Credit Risk and Fraud & Error Risk, and the Group will manage its Cash & Cash Investments subject to the policies set out in this document.

6.3. Management of Interest Rate Risk

All Treasury Transactions and Activities create Interest Rate Risk, i.e. the risk relating to interest payable on borrowings, interest receivable on Cash and Cash Investments and cashflows relating to any derivatives contracts. In the case of borrowings, the interest rate may be floating, fixed or capped, at the option of the Group, while for Cash and Cash Investments the rate is generally floating and/or have a short term to maturity. Derivatives contracts give rise to fixed and floating rate cashflows.

The Group's policy is to manage its Interest Rate Risk (i.e. the risk that movements in interest rates will have an adverse effect on the Group or its subsidiaries) on an aggregate basis, across all types of Treasury Activity, both on a consolidated Group basis and individually for each subsidiary company.

6.4. Foreign Exchange

The Group's policy is to not engage in activities that expose it material Foreign Exchange Risk, nor will it enter into foreign exchange transactions. Where it is required to engage in to such activities because of business circumstances they should be limited to aggregate notional sterling amount of £50,000.

7. Treasury Risks

The Group identifies a number of risks associated with its Treasury Activities, as defined and managed below.

7.1. Liquidity Risk

This is the risk of the Group becoming unable to meet its financial obligations, including an allowance for reasonably unexpected items, when they fall due. Such financial obligations include payments in respect of operating costs, development expenditure, investments and financing/re-financing.

The Group will only borrow in advance of need where there is a clear business case for doing so and will only do so to fund development, other capital programmes or approved business ventures or to finance future debt maturities. The Group's key report for the management of its Liquidity Risk is the cashflow forecast in the Quarterly Performance Report.

The Annual Treasury Plan (see "Key Reports") 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 in the following policy.

The Group's policy on **Liquidity Risk** is set out in the following sections.

1. The Group will maintain **Liquid Funds** in amount not less than its **one-month forecast <u>gross</u> cash outflow**.

   Liquid Funds is defined as follows.
   - Cash and Cash Investments with a maximum maturity/availability of up to two days (subject to a minimum level of £5m at all times), plus
   - undrawn committed borrowing facilities that are secured (if necessary) with a legal charge and capable of being drawn with not more than two days' notice and
   - undrawn available overdraft facilities.

2. The Group will maintain **Short Term Funds** in amount not less than its **six-month forecast <u>net</u> cash outflow**

   Short Term funds are defined as follows.
   - Liquid Funds, plus
   - Cash Investments with a maximum maturity/availability of between three days and one month.

3. The Group will maintain Medium Term Funds in amount not less than its **twelve-month forecast net cash outflow**

   Medium Term funds are defined as follows.
   - Short Term Funds, plus
   - Cash Investments with a maximum maturity/availability of between one month and six months, plus
   - undrawn committed borrowing facilities where security (not applicable to unsecured facilities) has been identified but has not yet been legally charged.

"Net Cash Outflow" for a given period is defined as the net total of all cash inflows and all cash outflows, including any uncommitted development spend / uncommitted grant receipts).

7.2. Refinancing Risk

The requirement for new borrowing will be considered annually by the Board as part of the Annual Treasury Plan. The Group's borrowing strategy will have regard to the cash flow projections and funding requirements indicated by the business plan, the current liquidity position, projected debt maturities, and compliance with liquidity policy limits.

The Group will endeavour to arrange new borrowing facilities at the minimum all-in cost consistent with acceptable covenants. Furthermore, the Group will seek to borrow from a diversified range of lenders, types of lender and funding market, all of which are outlined in Appendix A.

The Group will aim to spread the maturities of funds raised such that refinancing risk does not become unduly concentrated at particular dates. The Group will aim to avoid projected borrowing maturities in any one year exceeding 30% of total debt outstanding, except where such concentration of principal maturities is unavoidable (for example, under a bullet corporate bond structure). The Group will actively monitor its expected borrowing maturities and will report on these in the Treasury Management Report.

7.3. Collateral

The Group will ensure that adequate unencumbered security (or cash or unsecured facilities) is available to secure all of its borrowing. Also, if applicable, adequate unencumbered security (or cash or unsecured facilities) will be available to meet any reasonably foreseeable requirement to provide collateral to cover any mark-to-market liability in respect of any fixed rate Treasury Transaction (this generally relates to any stand-alone derivatives contracts and not fixed term loans).

The Group will maintain a record of all security charged against loans and other funding it has. It will also keep a record of all assets it holds that are not charged and are free to secure future funds. The Director of Finance and Resources will put in place procedures and controls to ensure that security is charged to allow drawdown of funds ahead of requirements and compliance with the Liquidity Policy. The Director of Finance and Resources will also put in place procedures and controls to enable properties to be ready for security as developments are completed and will also ensure security is released where the value of the charged assets is considerably in excess of that needed to securitise the funding. The granting of floating charges over the Group's assets will, where possible, be avoided except where there is a demonstrable and measurable benefit in so doing or where it is an absolute condition of obtaining credit.

7.4. Interest Rate Risk

This is the risk that changes in the interest rates payable and/or receivable under the Group's Treasury Transactions and Activities have a material adverse effect on the Group's finances. The Group's key report for the management of its interest rate risk is the interest rate risk profile in the Quarterly Performance Report. The Group's policy is twofold:

1. The Group will ensure that the aggregate sum of its Treasury Transactions (principally borrowings and interest rate swaps) subject to fixed (including index-linked, capped or otherwise hedged) interest rates is sufficient to be highly likely to prevent a breach of any Financial Covenant, due to an adverse change in prevailing-market interest rates, over a rolling five-year horizon. Furthermore, it will aim to avoid any unnecessary concentration of interest-rate reset risk (i.e. at the expiry of any fixed rate borrowing or hedging transaction).

The precise proportion of fixed (rate is fixed for 12 months or more, including callable swaps where the next option date is 12 or more months away) rate borrowings will be set each year when the Group Board agrees the Group's Annual Treasury Plan. It will be determined by an analysis of how sensitive the Group's cashflow forecast is to fluctuations in interest rates, but subject always to the Group ensuring that its drawn debt position is subject to the following limits:

- Minimum proportion of fixed-rate/hedged borrowings 60%
- Maximum proportion of index-linked borrowings 10%
- Maximum proportion of fixed hedged debt of total drawn debt 100%

For limit monitoring purposes, forwarding 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 to ensure that the impact of forward starting arrangements will not cause hedging limits to be breached when they take effect.

2. The Group will ensure that adequate unencumbered security or cash is available to meet any reasonably foreseeable requirement to provide collateral to cover the mark-to-market liability that may arise in respect of any Treasury Transaction, due to an adverse change in prevailing-market interest rates.

7.5. Foreign Exchange Risk

The Group's policy is to not incur any material exposure to foreign exchange risk. It will not, therefore, contract with suppliers in any currency other than Sterling for goods or services in amounts exceeding the then equivalent of £50,000. Nor will it enter into any financial arrangement (i.e. debt, cash deposits, investments, foreign exchange transactions and derivatives contracts) not denominated in Sterling only. The Board may, on occasion, approve new borrowings from foreign lenders / investors that are denominated sterling. In such circumstances the Board will consider any direct or contingent foreign exchange exposure, for example any exposure that could arising upon prepayment of such borrowing.

7.6. Inflation Risk

Inflation Risk (also known as Purchasing Power Risk) is the risk that arises from the decline in value of cash flow due to inflation, which is measured in terms of purchasing power. The organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

7.7. Counterparty Credit Risk

This is the risk of payment default by the counterparty in a Group Treasury Transaction. Cash and Cash Investments are of primary importance but Counterparty Credit Risk also arises in respect of undrawn borrowing facilities and mark-to-market assets. The Group's key report for the management of its Counterparty Credit Risk is the summary of counterparty exposures against limits schedule in the Quarterly Performance Report.

The Group's policy on Counterparty Credit Risk is twofold:

1. Minimum Credit Rating Criteria

The Group will ensure that counterparties to its Cash, Cash Investments and any transactions potentially giving rise to any mark-to-market asset (e.g. derivatives) shall have a credit rating(s) not weaker than as set out in the table below, or be unconditionally guaranteed by a 100%-owning parent company that is so rated. A counterparty must have a rating assigned by at least one rating agency and all ratings assigned must not be weaker than as set out in the table below.

The Group also will ensure that its committed undrawn borrowing facilities are provided by lenders that have a credit rating(s) not weaker than as set out in the table below, or be unconditionally guaranteed by a 100%-owning parent company that is so rated. A lender must have a rating assigned by at least one rating agency and all ratings assigned must not be weaker than as set out in the table below.

Counterparty Type	Minimum Moody's** Credit Rating	Counterparty Credit Limit*	Maximum tenor
Deposits – lower	A2 / P2	£5m	3 months
Deposits - higher	A1 / P1	£10m	12 months
Money market funds	Aaa	£5m	Overnight
Committed and Undrawn Loan facilities	Baa1 / P2	n/a	n/a

* In certain circumstances, for operational reasons, the Group may place up to 100% of its cash on deposit, which may exceed the Counterparty Credit Limit, with its main clearing bank for a period of **up to 14 business days**, or a longer period with Board approval. Such circumstances include but are not limited to:-

- the receipt of proceeds from the issuance of debt and/or
- the receipt of proceeds from the sale of an asset.

** Or equivalent rating notch from S&P or Fitch

2. Approved Counterparties

In addition to the minimum credit ratings criteria set out above, the Group will only enter in to Treasury Transactions with counterparties that meet the following criteria, where applicable, in addition to the Minimum Credit Rating Criteria:

a) present on the most recent "List of Banks"[1] or "List of Building Societies" published by the Bank of England from time to time, save as the exception in paragraph e) below

b) if the counterparty is a bank domiciled in the UK, a "ring-fenced" bank in accordance with the Prudential Regulation Authority (unless approved specifically by the Board), save as the exception in paragraph e) below

c) Exposure to banking groups will be aggregated for the purposes of calculating compliance with sector limits.

d) Building Society counterparties, having net assets of at least £1bn

e) approved AAA-rated money market funds (minimum total size of £2bn)

f) **in the case of undrawn borrowings only**; to also include non-ring fenced UK banks, suitably qualified leasing companies, pension funds, insurance companies, local authorities, non-profit specialist intermediaries (e.g. THFC) and other investors accessed via the debt-capital markets.

[1] https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate

In addition to the above criteria, the Group will also identify those organisations which, for the purposes of classification of customers by financial institutions under MIFID II, recognise it as a "professional client" and those with which it has an application outstanding to be recognised as a "professional client".

7.8. Legal / Compliance Risk

The Group will ensure that all of its Treasury management activities comply with its statutory powers and regulatory requirements, including its obligations, if any, under **FCA: Market Abuse Regulations (UK MAR)**[2] relating to any listed securities. The Group will ensure that information required to be disclosed to investors is duly disclosed via the Regulatory News Service (RNS), in a timely manner.

The Group will also undertake reasonable due diligence in respect of the powers, authority or license of any counterparty to its Treasury Transactions. In the case of all borrowing and derivatives transactions, the Group will engage suitably qualified solicitors. Any officer engaged in money market transactions should read and understand the **UK Money Markets Code**, which is available on the Bank of England's website.

7.9. Sanctions

The Group has legal, regulatory, contractual and reputational responsibilities in respect of Sanctions[3]. The Group will ensure that its business activity, including Treasury Management Activity, does not violate any domestic or international (e.g. UN, EU and US) sanctions that may be in force from time to time. The Group's Board is responsible for compliance and nominates the Director of Finance & Resources to monitor all relevant sanctions regimes and report any matters arising to the Board. At all times the Group will ensure it does not conduct business, or accept as customers or clients, persons or entities that would be in violation of Sanctions. The Group will seek professional advice where necessary.

7.10. Financial Covenants and internal performance measures

Financial Covenants

It is the policy of the Group to meet all of its obligations under its various financing arrangements. In addition, the Group's policy is to ensure that its forecast performance against its financial covenants contains a suitable amount of headroom. The required headroom is set out below. Headroom is measured on a forward-looking basis, for the duration of the Group's latest business plan, taking account of the maturity date of the underlying transaction:

a) **Interest cover** – the Group will maintain at least 10% headroom against its tightest interest cover covenant (i.e. if the covenant is set at 110% then the policy minimum is 120%).

b) **Gearing** - the Group will maintain at least 5% headroom against its tightest gearing covenant (i.e. if the covenant is set at 65% then the policy maximum is 60%).

c) **Asset cover** – the Group will maintain at least 10% headroom against each respective asset cover requirement.

[2] UK MAR applies to financial instruments admitted to trading or traded on both UK and EU trading venues. UK or non-UK issuers with securities admitted to trading only on UK regulated market only need to comply with UK MAR. But certain issuers must comply with EU MA*R and UK MAR*.

[3] A list of all sanctions currently in force in the UK is maintained by HM Treasury. The list can be found at: https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets

Forecast compliance with financial covenants and associated internal limits should be reported to the Board as part of the Quarterly Performance Report.

The Group will use its best endeavours in any new funding agreement to negotiate covenants which are beneficial to the Group and, if possible, consistent with other existing funding agreements.

Internal Performance Measures

Soha will comply with the following internal performance measures. Headroom is measured on a forward-looking basis, for the duration of the Group's latest business plan,

a) To ensure that in the long term all costs including major repairs are covered by income generated in business, the Group will also ensure earnings before interest, tax, depreciation and amortisation, major repairs included (EBITDA MRI) plus surplus from the sale of fixed assets excluding any exceptional items as approved by the Board is maintained at 100% on a rolling backwards looking 3 year basis.
b) Soha's Rules state that:. 'net debt (total borrowings less cash) cannot exceed 70% of the book value of housing assets (before deduction of depreciation) as determined by reference to the latest Accounts or as such larger sum as the Association determines from time to time in general meeting'.

Soha will always operate to the tightest minimal level and will be the tighter of the financial covenants and the internal performance measures.

7.11. Other Financial Covenants and Undertakings

The Group's policy is to ensure that all covenants, undertakings and obligations in respect of its Treasury Transactions are met. The Group will use its best endeavours in any new funding agreement to negotiate covenants which are beneficial to the Group and, if possible, consistent with other existing funding agreements.

The Group's key report for the management of its Legal & Compliance Risk is the schedule of compliance in the Quarterly update, which will summarise compliance matters that have been met in the previous quarter, the compliance matters due in the coming quarter and any outstanding items.

7.12. Inter-company lending, on-lending and guarantees

Group companies may make investments in each other, and/or to external third parties, subject to any legal restrictions or other restrictions or covenants imposed under its Debt Finance arrangements. In such circumstances the Board will ensure it understands the risk of the unexpected financial failure of such a Group company or external third party. The Group should seek professional advice in such circumstances.

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

7.13. Risk of Fraud and/or Error

This is the risk of financial loss by the Group due to fraudulent or erroneous action by an employee. Such risks have been exacerbated by the significant increase in the particle of working from home, following the onset of the coronavirus pandemic. The Group's policy is to ensure that a range of Treasury Management Principles (set out in section 8 below) are adopted and followed. The Group has SP16, Anti-Fraud and Anti-Bribery Policy in place. The Group has an Audit and Risk Committee standing agenda item, the Quarterly Fraud Report.

7.14. Money Laundering

The Group will maintain a policy on anti-money laundering and will ensure that all staff involved in treasury activity receive appropriate training to spot potential money laundering activity.

8. Treasury Management Principles

8.1. Value for Money and Transparency

The Group will ensure that value for money is achieved when executing Treasury Transactions by either a) obtaining competitive quotes from three or more prospective counterparties or b) by benchmarking any quote received from a single counterparty by reference to a suitably transparent benchmark. Transparent benchmarks include Bloomberg and Reuters, for example, and may be obtained indirectly via a suitably qualified financial adviser.

8.2. Segregation of duties

The Group will ensure that duties in respect of its Treasury Transactions are suitably segregated.

a) No officer may both execute a Treasury Transaction <u>and</u> approve the payment relating to that transaction.

b) No officer may both execute a Treasury Transaction <u>and</u> record it in the accounts of the relevant company.

c) The Group will ensure that confirmation letters are exchanged between a Group company and its counterparty in respect of all Treasury Transactions. All confirmation letters received from a counterparty shall be checked by an officer other than the officer who initiated such transaction. All confirmation letters issued by a Group company to a counterparty shall be issued by an officer other than the officer who initiated such transaction.

8.3. Delegation of Authority

The Group will ensure that its Board delegates authority to its officers to execute Treasury Transactions in a clear and unambiguous manner. The Scheme of Delegated Authority is set out in Appendix B.

8.4. Procedures & Systems

The Group will ensure that suitable procedures and systems are in place to manage its treasury activities and compliance with this Treasury Policy. Proper records will be kept of the approval of all Treasury Transactions and full transaction documentation (i.e. loan agreements, derivatives contracts, confirmations in respect of deposits placed and all bank statements) will be retained. It will ensure that IT systems, especially payments systems, and including those that facilitate working from home are reviewed by suitably qualified professionals on a regular basis.

8.5. Advice, Qualifications & Training

The Group will ensure that its officers are suitably qualified and/or experienced in respect of the treasury-related responsibilities assigned to them. Sufficient training will be obtained as necessary and access to appropriate external advisors will be provided if required. Expert external advice will be obtained where necessary. Board will receive regular training to ensure they have the necessary skills to understand and approve treasury reports.

8.6. Regular Reporting

The Group will ensure that the Board receives regular reports on treasury matters. This will include, but not limited to, a Quarterly Performance Report and an Annual Treasury Plan.

8.7. Regular Audit

The Group will ensure that its treasury operations are subject to independent assessment by a suitably qualified firm or individual at least once every five years and that its treasury operations are within the scope of the Group's annual external audit.

8.8. Maintenance of Insurance

The Group will ensure that its treasury operations are insured against fraud and error.

8.9. Anti-Bribery & Corruption (legislation)

The Group will ensure that a suitable bribery & corruption policy is in place that meets the requirement of current legislation.

8.10. Accounting & Tax

The Group will ensure that the accounting and tax implications are fully understood before any Treasury Transaction is entered in to. In particular, the Group will consider the impact of accounting treatment on lender covenants (e.g. breakage costs impacting interest cover). Specialist accounting and/or legal advice to determine the impact on covenants will be taken wherever appropriate. Wherever possible, accounting treatment will be agreed in principle with external auditors.

8.11. Investor Relations

The Director of Finance & Resources acting as the Group's investor relations officer, will host regular meetings (or calls), annually, or more frequently if necessary with existing lenders / investors.

The Group will publish relevant information on an "investor relations" page on its website, in a timely manner, to ensure that potential lenders and investors are able to access key data and information with ease.

9. Key Reports and Monitoring

9.1. Cash-flow Monitoring

Forecast	Cash flows	Frequency
Short term	Daily cash-flow updates	Daily
Medium term	36 month cash flow schedule reviewed at monthly cash flow meeting	Monthly
Long term	30 year cash flow schedule based on latest approved business plan	Annually

9.2. Monthly Performance Report

The monthly performance report, which is reviewed internally by management, will include information on loan balances, facilities, covenant performance and comparison of interest costs and income against budget as a minimum. It may also include information on cash flows and treasury performance KPIs.

9.3. Quarterly Performance Report

Each quarter the Group Board will be provided with a **Quarterly Performance Report**, which will include a section on Treasury and set out the following:

- Details of Treasury Transactions and Activity in the quarter
- Summary of debt finance outstanding and interest rate risk management position
- Details of all Cash and Cash Investments and exposure against limits
- Summary of cashflow and liquidity forecast[4]
- Summary of encumbered and unencumbered security
- Financial covenant compliance and forecast performance
- Any breach of Treasury Policy incurred or outstanding and remedial action taken and/or proposed
- Treasury activity proposed in the coming quarter
- Any other relevant business

9.4. Annual Treasury Plan

The Group Board will be provided with the following through an **Annual Treasury Plan**:

- A review of treasury management activities over the past year against the prior Annual Treasury Plan, highlighting and explaining any significant departures from approved strategies;
- A 30 year cash flow forecast based on latest approved business plan and clear identification of funding requirements, if any, over the next 5 years in relation to the Liquidity Policy;
- Details of borrowing maturities over the next three financial years;

[4] Altair's report "Cosmopolitan Housing Group Lessons Learned", June 2014, recommends that the board be "provided with the accurate short-term cash position (13 weeks) plus the 24-36 month position".

- A statement of borrowing requirements for the next 3 years 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 report on all current outstanding borrowing showing the proportion of fixed and variable interest rates with a maturity schedule detailing all fixed interest rate borrowing and interest periods within variable rate borrowing;
- A summary of the expected approach to fixing or hedging during the year;
- Analysis of current prevailing short- and long-term interest rates, margins, inflation, gilt yields and any other appropriate data. This should include comparison with historical trends and estimated trend movements over the next year;
- A summary of performance targets for the treasury management function for the coming year;
- Review of the Treasury Policy and, where appropriate, recommendations to amend to limits and risk controls.

10. Breaches of Treasury Policy

Any breach of Treasury Policy should be reported to the Group Board as soon as it has been identified, whether remedied or not, together with a suitable explanation and any remedial action taken and/or proposed. The Group Board will instruct the Director of Finance & Resources accordingly.

Schedule of Permitted Treasury Transactions................................ Appendix A

Debt*

- Loans drawn from Banks and Financial Institutions,
- Notes and or bonds issued in the UK Debt Capital Markets (public or private) – including aggregator funding
- Local authority loans
- Lease or hire purchase agreements
- Overdrafts

Cash & Cash Investments*

- Sterling Bank Current Accounts,
- Sterling Bank Deposit Accounts,
- Sterling Term Deposits Placed with Banks,
- Sterling Money Market Funds,
- Bonds or notes issued by HM Treasury (i.e. "gilts")

Interest Rate Risk / Hedging Transactions*

- The selection of fixed, capped, collared, callable or index-linked loans drawn under loan agreements, and
- 'Loan-linked' Interest rate swaps, caps, collars (in all cases for hedging purposes only, not speculation)

**** to be transacted only with counterparties that meet the Counterparty Credit Criteria set out in this Policy***

Scheme of Delegated Authority .... Appendix B

AUTHORITY RETAINED BY THE BOARD:

- Approval of the Treasury Policy
- Approval of the Annual Treasury Plan
- Approval of the Quarterly Performance Report
- Approval of all new loan and funding agreements
- Approval of short-term overdraft facilities and approval of limits
- Approval of the Business Plans for all Borrowing organisations in the Group
- Approval of interest fixings to be adopted under existing loan facilities where the fixed rate will apply for a period of twelve months or more outside the approved Annual Treasury Plan

AUTHORITY DELEGATED TO THE DIRECTOR OF FINANCE & RESOURCES

- Implementation of the Annual Treasury Plan.
- Delivery of the Annual Treasury Plan and the Quarterly Performance Report to Board.
- Supervision of the treasury function.
- Drawing down of floating-rate and fixed-rate loans, in accordance with the Annual Treasury Plan.
- Execution of Treasury Transactions in accordance with the Treasury Policy and as approved by Board in the Annual Treasury Plan.
- Investment of cash surpluses for periods of up to 12 months with institutions meeting the criteria for credit quality set out in the Treasury Policy.
- Authorisation of interest -rollover notice interest rates and periods in line with Annual Treasury Plan.
- Authorisation of loan interest & capital payments in line with loan agreements.
- Prepare and control an annual budget for treasury management.
- Opening of new bank accounts and amendments to bank mandates.