TREASURY MANAGEMENT POLICY
(Ref: CS/02)

Purpose of Policy: This policy is intended to ensure that the treasury management activities of Manor Estates Housing Association Group (MEHA) are managed and controlled appropriately. This policy needs to comply with best practice, as set out in the CIPFA Code of Practice for Treasury Management in the Public Services (the Code) and in line with the expectations of the Scottish Housing Regulator (SHR) as set out in the Standards of Governance and Financial Management.

Policy Monitoring Details	
Department:	Corporate Services
Author:	Kathryn Miller
Status:	Group Policy
Date Approved by Audit Board/ Board:	Audit Committee October 2023
Updated:	Board October Meeting 2023
Planned Review Date:	Planned review date October 2026.
Regulatory Outcomes being achieved:	**Charter**: Getting good value from rents and service charges **Regulatory Standards**: The RSL manages its resources to ensure its financial well-being and economic effectiveness (standard 3). The RSL conducts its affairs with honesty and integrity (standard 5).
Tenant Consultation Required:	No

Content List:

1. General Background

The guidance prepared by SFHA and DTP in February 2022 provided RSLs with a template Treasury Management Policy that complies with the CIPFA Code and is in line with the SHR's expectations. The template was designed to be adopted by each RSL with some variations according to the organisations size and particular circumstances. MEHA's Treasury Management Policy follows and has been supported by the following:

- CS 01 Financial Regulations that define the responsibilities of the Board, the Audit Committee (AC), the CEO and the Corporate Services Director (CSD).
- An assessment of treasury risk that is included in the groups Corporate Risk Register (copy attached to the ATMR as Appendix C).
- An annual Treasury Management Report (ATMR) presented to the Board.
- CSD job description which details areas of responsibility.

2. Policy Definitions and Objectives

- MEHA defines its treasury management activities as the management of the organisation's borrowing, investments and cashflows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of good performance consistent with those risks.
- MEHA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for MEHA and any financial instruments entered into to manage these risks.
- MEHA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

3. Policy Structure

The policy is structured to address the 12 Treasury Management Practices (TMP) identified in the Code:

TMP1	Risk Management
TMP2	Performance Management
TMP3	Decision making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities and deadline arrangements
TMP6	Reporting Requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money Laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

TMP 1 – Risk Management

General Statement of Risk Management

1. The CSD will prepare and present to the Board:

    - An annual budget report that will include the key financial ratios for the coming financial year;
    - An Annual Treasury Management Report (ATMR) and
    - A quarterly report on all material treasury and investment activity within the Finance Update Report.

2. The ATMR will include a summary of treasury management activity in the preceding financial year, covering:

    - A summary of the outstanding loans
    - Loan drawdowns in the preceding 12 months
    - Loan repayments in the preceding 12 months
    - A summary of the hedging position between fixed and floating rate debt in the current loan portfolio, and any changes to interest rate structure on existing loans, such as maturing or new loan fixes
    - Statement of actual and projected covenant compliance and headroom for all covenants for all lenders.
    - Summary of loan security position
    - Summary of cash deposit position and activity since the previous ATMR
    - The current treasury management risk map (included the reference to the groups Corporate Risk Register).
    - any proposals for amendments to this Treasury Management Policy, which will require Board approval.

3. The Board report on the Budget will include forecast cashflows for five financial years, as well as:

    - a statement of borrowing requirements for at least the next five 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 12 months.
    - a recommendation as to the mix of fixed, variable and index linked interest rates to apply across MEHA's debt portfolio at the end of the next financial year.

    An outline report is prepared as Appendix E

4. The CSD:

    - will design, implement and monitor arrangements for the identification, management and control of treasury management risk.
    - will report at least annually on the adequacy and suitability thereof to the Board and

- will report to the CEO, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving MEHA's objectives in this respect.

5. Long term cashflow forecasts will be included in the 30 Year Financial Plan prepared for board approval.

6. Significant variations to cashflow forecasts covering the next 12 months will be reported to board.

7. All in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements.

8. MEHA has adopted a detailed risk management statement set out below for each of the treasury management risks identified in the CIPFA Code as referred to as Treasury Management Practices (TMP).

TMP 1.1: Lending and Deposit Counterparties

MEHA will maintain lists of approved Lending and Deposit Counterparties. Institutions may only be added to either list with the prior approval of the Board. The current list is included in the ATMR as Appendix B.

Lending Counterparties
MEHA may borrow from:

- Banks and building societies authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority, or their EU equivalent for European Banks; these may be high street lenders or smaller specialist providers;

- Financial institutions (pension funds, insurance companies, etc) through public bond issues, private placements or bilateral loans;

- Specialist bond aggregators operating in the social housing sector

- Scottish Government supported and underwritten initiatives such as the Scottish Charitable Bond programme

Loan facilities will be arranged only with organisations that are judged to have sufficient financial strength to ensure the funds committed under the facilities will be available as and when they are required by MEHA in accordance with the terms of the loan agreement.

Where a lender has published credit ratings from the recognised market agencies, this will normally be at least investment grade as set out below, unless otherwise approved by the Board:

	Minimum Short Term Rating	**Minimum Long Term Rating**
Moody's	P-1	A3
Standard and Poor's	A-1	A-
Fitch Ratings	F1	A-

Where a lender does not have a published credit rating, the Board will be advised by the CSD of the assessment of the financial strength of the proposed lender, including any external advice taken.

Regardless of size, lenders will be expected to demonstrate a track record and experience in supporting social housing and be able to demonstrate a long-term commitment to the Scottish social housing sector.

Investment and Deposit Counterparties

The overriding principle guiding the investment of surplus cash balances is the preservation of the capital value of MEHA's resources. The CSD is authorised to deposit or invest funds only with institutions approved by the Board as part of this Policy.

Exposure

The Board will set a limit for the amount that may be invested in any one institution at any point. Normally, if balances exceed £2m, no more than 60% may be invested in any one institution or banking group and if balances exceed £5m, no more than 40% would be invested in any one institution or banking group. All deposits will have a maturity not exceeding 365 days. This excludes the value of funds that may be held in day-to-day banking accounts with the institutions providing a basic banking service (current, client money and overnight accounts).

An exception to the rule above will apply when MEHA receives funds unexpectedly in which case deposits may be made with MEHA's day to day bank for periods of up to 7 days and reported to the Board at the discretion of the CSD and the CEO.

Creditworthiness

MEHA will only invest in counterparties that meet one of the following criteria:

- UK banks and building societies that meet the credit ratings set out below and which are authorised by the Bank of England

Under normal circumstances, MEHA would not invest with the undernoted counterparties, but can, if agreed explicitly by the Board:

- AAA-rated Low Volatility Net Asset Value money market funds
- UK and devolved governments and local authorities with credit ratings no lower than the UK Government's
- Any other institution that may be specifically approved by the Board on the basis of professional advice.

The CSD is responsible for monitoring investment counterparties and ensuring that they meet these criteria.

MEHA will only invest with or lend to institutions authorised by the Prudential Regulations Authority and regulated by the Financial Conduct Authority (or the appropriate supervisory body in the European Economic Area in which they are incorporated or formed) and subject to the minimum credit rating criteria:

	Minimum Short Term Rating
Moody's	P-1
Standard and Poor's	A-1
Fitch Ratings	F1

Should MEHA have money invested with an institution which is subsequently downgraded by the credit agencies or where the credit default swap spread indicates that the market has concerns about the creditworthiness of the institution, so that it no longer achieves MEHA's minimum creditworthiness criteria, the investment should be withdrawn from the institution upon maturity unless otherwise approved by the Board as an exception to this policy.

TMP 1.2: Liquidity Risk Management

MEHA will ensure that it is able to meet its liabilities at all times. The CSD will ensure that sufficient cash balances and available facilities exist for this purpose.

The principal factor governing the exposure of surplus funds is MEHA's liquidity forecast. Where surplus funds are required to meet possible cash outflows in the near future, they will necessarily be deposited for short periods which will ensure that funds are available when required. MEHA defines liquidity as:

- Cash at Bank
- Cash on deposit which is available at no more than 3 days' notice.
- Confirmed, but undrawn overdraft facilities.

MEHA's liquidity level will aim to be the greater of:

- The forecast cash outflow for the next calendar month plus a buffer of 25% or
- £500,000 in instantly available in the above bank accounts.

The ATMR will consider the sensitivity of MEHA's loan portfolio to interest rate changes to determine the proportion of debt to be secured on a variable basis. Unless otherwise approved by the Board, in normal circumstances MEHA will ensure that the proportion of total outstanding debt, which is exposed to variable costs of funds, including banks and building society base, SONIA and index linked rates, is no higher than 40% at any one time. Debt which is on a fixed rate arrangement that expires in less than 12 months must be regarded as variable for this purpose.

TMP 1.3: Interest Rate Management

MEHA will manage its exposure to interest rate fluctuation with a view to containing its interest costs within the amounts provided in its strategic plan and annual budget as approved by the Board.

MEHA will achieve this by the prudent use of its approved financing and investment instruments primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of the unexpected, potentially advantageous changes in the level of interest and retain the ability to adapt its borrowings and investments to changing circumstances.

TMP 1.4: Exchange Rate Management Strategy

MEHA will not invest or borrow in any currency except UK Pounds Sterling. This will eliminate exchange rate risk.

TMP 1.5: Inflation

Inflation risk is the risk that arises from the decline in value of cashflows due to inflation. MEHA will keep under review the sensitivity of its loans and deposits to inflation and will seek to manage the risk accordingly in the context of the whole business inflation exposures.

TMP 1.6: Exposure to Refinancing Risk

MEHA's current loan portfolio is structured to ensure that it will be able to meet all repayments of principal under the loans as required under the relevant loan documentation, MEHA complies with loan covenants and MEHA is not exposed to significant refinancing risk, except where this is part of a plan agreed by the Board. Significant financing risk is defined as more than 25% of debt falling due for refinancing (including fixed rate arrangements maturing) in any 12-month period.

CSD will ensure that the proposals from lenders to provide appropriate loan facilities to meet these identified requirements are brought before the Board in sufficient time to enable due consideration to be given to them, and to ensure that the loan facilities are put into place before additional funds need to be drawn. In doing so, at least 18 months should be allowed for completion of a new loan agreement and security with a new lender.

MEHA will not enter into development or other commitments without having sufficient committed loan facilities in place to cover the resulting borrowing requirement.

TMP 1.7: Legal and Regulatory Framework

CSD is responsible for ensuring that any borrowing or investment transaction is permitted by MEHA's rules and Financial Regulations (CS01) and is not in breach of any applicable statutory or regulatory requirements, including but not limited to charity law, SHR requirements and FCA requirements. The CSD is empowered to take appropriate external advice as required to satisfy this. MEHA maintains a robust system of internal controls. Staff involved in treasury management activities will be appropriately qualified and experienced.

CSD is responsible for ensuring that any accounting issue or concerns arising from a potential transaction are fully understood and explained to the Board prior to approval of the transaction.

TMP 1.8: Operational Risk

MEHA will ensure that it has identified the circumstances that may expose it to the risk of loss through inadequate or failed internal processes, people and systems or from external events. Accordingly, it will employ suitable systems and procedures and will maintain effective contingency management arrangements to these ends.

As a minimum, these will include proper documentation of procedures and controls; segregation of duties wherever possible; regular independent audit of systems, controls and records; and appropriate qualification, training and development of staff.

TMP 1.9: Price Risk Management

Price risk is defined as the risk that movements in the market price of investments will impact adversely on the value of MEHA's investments. MEHA will only make investments subject to price risk with the prior approval of the Board and after professional advice has been reported to and discussed by the AC. Movements in the value of investments will be monitored quarterly by the CSD and reported to the AC.

TMP 2 – Performance Measurement

Existing Borrowing

The annual ATMR will consider whether current loan arrangements continue to provide best value or whether advantage might be taken from alternative sources or methods of finance.

New Borrowing

CSD will record the interest rate secured and other costs payable by MEHA on any new borrowing in comparison with the general level of interest rates prevailing at the time such loans were taken. This will include details on non-utilisation fees, management fees and legal costs. This will be included in the annual ATMR.

Treasury Investment and Externally Management Investments

Treasury and externally managed investments will only be undertaken in accordance with MEHA's Strategic Plan. Where applicable, the CSD will review the level of returns being made on any investment held by MEHA, with a view to assessing whether the current methods and instruments being utilised continue to represent value for money for MEHA. This information will be included in the annual ATMR.

External Services

The annual ATMR will report on external services provided in the previous year and contracted for in the forthcoming year. CSD is responsible for recommending any changes in the scope of the services procured.

Best value in treasury management services will be ensured by tendering for these services on a periodic basis, in line with MEHA's procurement obligation. In assessing the value added by the providers of external services, account will be taken of all relevant factors, including the cost, quality, reliability and scope of service to be provided.

TMP 3 – Decision Making Processes

All treasury Management decision made during the year will be in accordance with the most recent ATMR, unless specifically agreed by the Board and in compliance with the Rules, Standing Orders and Financial Regulations (CS 01). In making key decisions regarding its treasury Management activities, MEHA will ensure that proper consideration is given to all relevant factors. These will include:

- The powers of MEHA and regulatory requirements
- Budgetary constraints and strategic plan projections
- Financial covenants
- Prevailing and forecast economic conditions.
- Available funding and treasury management options

Any key decisions will be informed by an appropriate written report, covering as appropriate, the areas identified above. Such reports will be compiled by the CSD for consideration and decision by the Board.

In compiling such report, the officers will exercise appropriate levels of care and professional expertise, and where they consider it necessary, may seek advice in specialist areas from suitably qualified external advisers.

The Treasury Management decisions made will be properly minuted and recorded as required by MEHA's Standing Orders. The CSD will be responsible for ensuring that the outcomes of such decisions are effectively communicated to any staff member who may be involved in implementing those decisions.

TMP 4 – Approved Instruments, Methods and Techniques

Borrowings

CSD will maintain accurate, complete and up to date data on all treasury management instruments in the Loan Interest and the bank reconciliation spreadsheets. This information will be summarised in the annual ATMR to the Board. In entering into any new loans, MEHA will ensure that these are documented under clear and binding legal documentation that:

- Accurately reflects the terms and conditions agreed with the lenders
- Complies with the applicable legislative and regulatory requirements
- Has been compiled by suitably qualified advisors

Any new loan documentation will be approved by the Board with the benefit of appropriate advice from MEHA's officers, solicitors or other legal advisors, and other such specialist advice as the Board may require. This power can be delegated to a subgroup of the Board, but only for reasons of efficiency and speed. Any such sub-group must include at least three Board members and their authority must be minuted and limited.

The CSD will prepare a report to the Board for approval which will include but not be limited to the following:

- The name of the proposed lender or arranger with brief details of their experience of Housing Associations and their credit rating (where applicable).
- Interest rate margin, fixed rate or underlying fixed or variable reference rate
- Arrangement and other fees
- Covenant requirements – including MEHAs ability to meet the covenants
- Security requirements – basis of valuation, level of cover and assets to be charged.
- Purpose – including cashflows if relevant
- Comparison with alternative
- Compliance with TMP, Rules, regulatory and statutory requirements
- Arrangements for draw downs
- Details of independent professional financial and legal advice, including confirmation of powers to enter into transaction
- Any other matters which might assist the Board in considering the proposal, or are required by the lender, any advisor/regulator to be brought to the Board’s attention.

MEHA will endeavour to ensure that no new funding arrangement is entered into which binds MEHA to meeting financial covenants and security arrangements which are deemed to be more onerous than those on its existing loans. MEHA may undertake interest rate management through the medium of its loan documents, and, unless expressly approved by the Board, will be limited to fixed and variable interest rates. Variable rates may be set against SONIA or Bank of England Bank Rate (also known as ‘Base Rate’).

Treasury Management Investment

The CSD has authority to invest MEHA’s surplus funds in accordance with the ATMR and in accordance with this policy. The following are approved investment instruments:

- Deposits with UK banks and building societies.

Under normal circumstances, MEHA would not use these investment instruments, but can, if agreed explicitly by the Board:

- Certificates of deposit issued by banks and building societies
- Loans to local authorities with credit ratings no lower than the UK Government’s
- UK and devolved government and local authority securities (treasury bills and gilts)

Any investment will only be made with organisations that meet the criteria set out at TMP 1.1 above. Tradable instruments (certificates, treasury bills and gilts) can only be used where the intention is to hold them to maturity, except in the case of funds held in investment funds, which are managed by external fund managers.

TMP 4.1 – Commercial Investments

TMP 4.1 only applies to RSLs which hold Commercial Investments, as defined by the Code. MEHA does not hold commercial investments.

TMP 5 – Responsibility for Treasury Management

MEHA's approved delegation of responsibilities for treasury management is as follows:

Delegated Power	Exercised by
Approval and amendment of the Treasury Management Policy	Board
Approval of ATMR	Board
Application of ATMR	CEO and CSD
Acceptance of loan offers, approval of loan agreements and granting of security	Board
Acceptance of loan offers, approval of loan agreements	Chair or Vice Chair of the Board, plus the CSD. Any action taken to be reported to the next Board.
Drawdown of approved loan facilities in accordance with the ATMR	CSD
Investment of surplus funds	CSD
Hedging and other interest rate management	Board
Approval of Bankers	Board

The CSD will be responsible for the provision of an adequate system of internal control. Where possible this will include segregation of duties between those placing deposits and those responsible for recording, checking and confirming them.

TMP 6 – Reporting Requirements

The reporting requirements are as listed in calendar form in Appendix D.

TMP7 – Budgeting, Accounting and Audit Arrangements

Treasury management activity will be subject to regular internal audits as agreed by the AC, with the AC receiving the report from the internal auditors.

TMP8 – Cashflow Management

MEHA annually prepares a 30-year strategic plan, covering all MEHA's activities. This includes a 30-year cashflow forecast, incorporating current borrowing arrangements, and identifying projected borrowing needs and investment opportunities. Based on this the CSD will prepare a detailed forecast for the 12 months, projecting income and expenditure quarterly.

The cashflow will be presented quarterly to the Board with the management accounts, explaining how they affect future borrowing and highlighting any increased treasury risks, such as liquidity or covenant compliance.

TMP9 – Money Laundering

MEHA's Money Laundering Policy (CS 11) will be regularly updated. Compliance with TMP 1.1 in this Policy will ensure that MEHA's responsibilities under Money Laundering are covered in relation to this policy.

TMP10 – Staff Training and Qualifications

MEHA will ensure that its officers are suitable qualified and/or experiences in respect of the treasury-related responsibilities assigned to them. Sufficient training will be provided as necessary and access to appropriate external advisors will be provided if required.

As a minimum, it is expected that the CSD will be Consultative Committee of Accounting Bodies (CCAB) qualified and have maintained their professional membership and Continuous Professional Development (CPD).

TMP11 – Use of External Service Providers

Bankers

MEHA's lead banker is Royal Bank of Scotland (RBS). Performance and value for money of banking services will be reviewed at least every 5 years and if the AC considers it appropriate, retendered.

Approval to appoint new bankers is reserved to the Board.

Treasury Management Advisers

MEHA may appoint external professional advisers on an on-going and/or one-off basis. Any appointment should be in line with MEHA's procurement policy. Any procurement exercise will be overseen by the CSD.

TMP12 – Corporate Governance

MEHA is constituted as a not-for-profit body. It is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No 2484RS) under the Cooperative and Community Benefit Societies Act 2014, the Scottish Housing Regulator as a Registered Social Landlord (No HEP284) under the Housing Scotland Act 2010 and as a registered Scottish Charity with the charity number SC023106. It is governed by an independent Board elected by its membership, referred to as the Board.

The Board of MEHA maintains a committee structure which currently just consists of the Audit Committee. The Board and Audit Committee remit is as detailed in the Financial Regulations (CS 01) and the Standing Orders (G 18).

4. Implementation and Review

The CSD is responsible for ensuring that this policy is implemented. They will also ensure that policy is reviewed every 3 years unless changes in legislation or regulations require an earlier review.

5. Publicising this Policy

This policy will be made available to anyone on request.

MANORESTATES
Housing Association

Treasury Management Glossary

Item	Definition
Amortising	A type of loan with scheduled, periodic payments that are applied to the Repayment loan's principal over the life of the loan.
Arrangement Fee	A fee payable by the borrower to the lender when a loan agreement is agreed, usually measured as a % of the loan amount and typically a maximum of 1%
Asset Management	Ensuring that current and future assets (houses, land, garages, shops etc) fully support the organisation's objectives – working towards having the right assets, of the right quality, in the right place, at the right time generating appropriate value to the business plan and 30-year cashflows.
Audit Committee	The committee of the governing body responsible for scrutiny of controls, risk and assurance, as set in the SHR Standard 4.5. As a matter of good practice, it is recommended that this function is delegated to a committee separate from the Board, and which is chaired by a Board member other than the chair of the Board.
Base Rate	Bank of England Base Rate – the key reference rate for borrowing in the UK. Also referred to as Bank Rate.

Basis Point (BP)	Basis Point (BP)
Board	The Board or management committee of an RSL
Bonds	Debt instrument where an investor lends to an entity, borrowing funds for a defined period of time at the defined rate. Corporate bonds are bonds issued by companies, including many larger RSLs.
Break Cost	The amount to be paid if a fixed interest rate contract is terminated early, usually calculated as the value of the fixed rate interest compared to the market rate at the date of the break.
Budget	The detailed projection of income and expenditure for the financial year, which is used as a target and monitoring tool, by management and Board.
Bullet Repayment	A lump sum payment made for the entirety of an outstanding amount, usually at maturity.
Business Continuity Planning	Prepared and tested measures for protection of critical business operations from effects of a loss, damage or other failure of operational facilities.
Capital Expenditure	Expenditure to acquire or improve a long-term asset. Includes new build development and component replacement, such as kitchens, bathrooms, roofs etc.
Capital Receipts	Money obtained on the sale of a capital asset.
Cashflow	An accounting term that refers to the amounts of cash being received and spent by an organisation during a defined period of time, and the management of the cash receipts and payments of a business to ensure cash balances remain sufficient to ensure debts are paid as they fall due.
CCAB	Consultative Committee of Accountancy Bodies. The body that represents the chartered accountancy bodies of the UK and Ireland (ICAS, ICAEW, CAI, CIPFA, ACCA). This definition is also deemed to include CIMA, although it no longer formally participates in CCAB.
CIPFA	The Chartered Institute of Public Finance and Accountancy, the professional body for accountants working in local government and other public sector organisations, and the standard setting organisation for local government and public service finance.
Contingency	Alternative plans to cover what the organisation will do if circumstances plans change, and the original plans will not work.
Costs of Carry	The difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a carry cost of 3.5%.
Counterparty	A bank or other institution with whom borrowing or investment transaction is made.
Counterparty List	List of approved financial institutions for investing and borrowing.
Counterparty Risk	The risk of failure by a counterparty to meet its contractual obligations to a borrower or depositor.

Covenant	A promise in a loan facility agreement, that defined financial ratios and thresholds will be met or that certain activities will or will not be carried out.
CPI	Consumer Price Index – the UK's main measure of inflation.
Continuous Professional Development (CPD)	The professional requirement to complete defined amounts of training to ensure a qualification is maintained at the appropriate standard.
Credit Adjustment Spread (CAS)	An adjustment made to ensure SONIA reference rate is as close as possible to the equivalent LIBOR rate, by adding an element to reflect risk to the published SONIA reference rate. The standard CAS rate set by the FCA is 0.1193% for a 3-month interest period.
Credit Rating	Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees. The main rating agencies are Fitch, Standard and Poor's, and Moody's.
Cross Default	Terms in a loan agreement with one lender which state the default with another lender is an event of default.
Default	The legal term for breaking of a loan term or covenant.
Derivative	A contract that passes the interest rate risk in a loan from one party to another, for a premium. For example, an RSL with a variable rate debt with Bank A may agree to swap the variable interest for a fixed rate payment to Bank B – the interest rate risk passes to Bank B, which will charge the RSL a premium for so doing.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation – the accounting term that defines operating surplus adjusted by adding back non-cash costs and deducting non-cash income; the precise calculation will be set out in the loan agreement. Used as an indicator of the overall profitability and cash generation of the business.
EBITDA – MRI	EBITDA with further adjustments to add back the cash spent on major repairs and improvements to the housing stock, to get closer to the cashflow before loan drawdowns and repayments, and interest; the precise calculation will be set out in the loan agreement.
ESG	ESG is the collective term for an organisation's environmental, social and governance standards. ESG includes an organisation's approach to non-financial issues that generate and sustain long-term value including climate change and resource scarcity; equality, diversity, and inclusion; health and safety; cyber and data security; board and executive pay; and social and community engagement.
EUV- SH	Existing Use Value – Social Housing – the usual valuation method for social housing which recognises that the stock must be used to provide rented housing at social rents, and not sold. Calculated by totalling rental income over a 30-year period, minus management, maintenance, and component replacement costs, with the net figure discounted to allow for inflation.

Financial Projection (or forecast)	A projection of the organisation's expected financial position based on expected conditions.
Financial Reporting	The process of producing information that disclose an organisation's reporting financial status to appropriate stakeholders.
Fixed and Variable Costs	Fixed costs do not vary with activity, e.g., cost of board support; variable costs do, e.g., repair costs per unit.
Fixed Interest Rate	Interest which is fixed for a defined period, which may be all or part of the term of the loan.
Fixed Loan	Loan which cannot be repaid without penalty until a defined date, and on which interest is at a fixed rate. The RSL has certainty of funding and cost, but little flexibility if plans change.
Floating (or variable) Interest Rate	Interest which varies in line with a defined reference rate, which will usually be Base Rate or SONIA, as agreed in the loan agreement
Floating Loan	Loan which can be repaid at a date of the RSL's choice, and on which interest is at a floating rate. The RSL has flexibility in the amount of debt but is at risk of adverse interest rate movements.
Gearing	The level of debt used to support operations, and the ratio of the total historic cost of housing stock to outstanding loans; the precise calculation will be set out in the loan agreement. When there is a high proportion of debt to assets the association is said to be highly geared. Sometimes measured against retained reserves rather than assets.
Gilts	Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged' being issued by the UK Government, they are deemed to be very secure as the investor expects to receive the full-face value of the bond to be paid on maturity.
Hedging	A strategy to limit risks by taking an offsetting position. The association enters into fixed rate interest contracts to reduce the exposure to variation in interest rates.
Interest Cover	A measure of the extent to which operating surplus covers interest payments due on loans. It expresses surplus as a ratio of interest of interest payable. Both surplus and interest will be defined in detail in the loan agreement.
ISDA (International Swaps and Derivative Association)	The body that oversees the market in loan derivatives and publishes industry standard documentation and model contracts.
Key Financial Ratios	Key indicators that must be monitored, the frequency of reporting and the performance levels that triggers the need for corrective action.
Key Performance Indicator (KPI)	A set of quantifiable performance measures used regularly and consistently to assess how well an organisation is achieving its objectives or performing particular activities. Each KPI should be compared with a pre-set standard (a

	benchmark), consistent measures from other organisations, performance in prior periods and clearly defined targets.
LIBOR	The London Interbank Offered Rate (LIBOR) was the benchmark rate of interest that banks charge to lend money to each other. It acts as a benchmark for short-term interest rates and is used for pricing of loans and interest rate swaps. LIBOR ceased to be published in Jan 2022, and was replaced by SONIA.
Liquidity Risk	The risk that cash will not be available when needed and that the association's business/service objectives will be compromised.
Loan Aggregator	A lender that aggregates the funding requirements of several RSLs together to generate a total large enough to support a bond issue; most well-known is THFC (The Housing Finance Corporation)
Loan Agreement	The legal agreement between MEHA and its lender, setting out the amount, terms, rates, security, and covenant requirements for each loan.
Loan Facility	The total amount of debt made available by the loan agreement.
Loan Margin	The percentage added to Base Rate or SONIA to fund the lender's risk and profit, and to give the interest cost of variable rate loan,
Maturity	The date when an investment or borrowing is repaid.
Maturity Structure/ Profile	A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.
MV-T	Market Value Subject to Tenancy. A valuation method that applies to properties that can be theoretically sold outside of the social housing sector and which allows for a potential sale or private rent, generating a higher value than EUV-SH.
Negative Pledge	An obligation on a borrower in a loan agreement not to allow a third party to have security over an asset secured to a lender.
Non-Utilisation Costs	The cost charged by lenders on undrawn but available funds, usually set at 40-50%of the margin.
Options Appraisal	A structured process for considering alternative choices against appropriate evaluation criteria in order to optimise the achievement of strategic objectives.
Peak Debt	The highest forecast level of borrowing in the financial plans, usually measured over 30 years.
Private Finance	Funding borrowed from a private sector lender such as a bank or building society.
Private Placement	Debt instrument where an investor lends for a defined period of time, as opposed to a bond sold through a public offering.
Procurement	The way an organisation obtains services or materials from other organisations or agents.
Reference Rate	The rate which is defined in a loan agreement as the basis for a variable rate, and to which the lender's margin is added to give the rate payable. Historically, either Bank of

	England Base Rate or LIBOR were used; from January 2022, SONIA replaces LIBOR.
Refinancing Risk	The risk that significant amounts of debt fall due and need to be replaced at a time when the lending markets are not favourable, meaning cost of new debt will be higher.
Revolving Credit Facility (RCF)	A loan which can be drawn, repaid and then drawn again, over a period of years – similar to a personal overdraft, but with security required.
Risk Management	The process of defining and analysing risks, and then deciding on the appropriate course of action in order to minimise and mitigate these risks.
Scenario Planning	A process of visualising and testing what might happen to affect the organisation's business, what the likelihood and impact would be and how to respond.
Security	The granting of a mortgage over the RSL's housing stock to its lenders, which allows the lender to claim the proceeds from sale of the property to meet outstanding liabilities if the borrower fails to meet repayment obligations.
Security Trustee	A security trustee holds security over property on behalf of the owner and assigns the benefit of that security to one or more lenders as directed by the owner, with the aim of reducing the cost and increasing the flexibility of managing complex security packages and loan portfolios.
Sensitivity Analysis	Investigation into how projected performance varies along with changes in the key assumptions on which the projections are based.
SONIA	The Sterling Overnight Index Average. The overnight interest paid by banks for unsecured transactions in the British sterling market in circumstances where credit, liquidity and other risks are minimal. It is the new reference rate for UK lending.
Strategic Objective	A target that an organisation should achieve to make its strategy work.
Strategic Plan	A document setting out a landlord's aims and objectives and its financial plans and resources for a specific period.
Stress Test	A test that looks at the impact on an organisation's business plan of a major change in one or more variables in order to see what impact this would have.
Swap	An agreement between borrower and lender to exchange one cashflow (usually variable) for another (usually fixed), which has the effect of turning a variable rate loan into a fixed rate one for a defined period.
Syndicates	Arrangements where funds from more than one lender are aggregated and managed by a one lead lender through one loan agreement.
Term Deposits	Deposits of cash with terms attached relating to maturity and rate of return (interest).
Term Loan	A loan for a specified amount that has a specified repayment schedule.
Treasury Management	The management of the organisation's borrowings, investments and cash flows, its banking, money market and capital market transactions and loan management; the

	effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
Treasury Management Code	CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009, 2011, 2017 and 2021.
Treasury Management Policy	Policy document defining and describing treasury management risks and controls, including reporting and monitoring cycles.
Treasury Management Practices	Treasury management practices set out the manner in which the association will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.
Treasury Management Strategy	Planning document setting out the treasury management actions needed to deliver the financial business plan.
Undrawn Debt	Loans which have been arranged in the loan facility but have not yet been drawn as cash.
Unencumbered Property	A property that is clear of debt or claims from third parties in the form of mortgages or loan security charges, and thus can be used to provide security for new debt.
Valuation	The value of the housing stock used for security. Usually expressed as % of the loan amount (e.g., 120% of loan value). New valuations are typically required every 3-5 years.
Variable Interest	See floating interest above.