Treasury Management Policy

1 Introduction

1.1 This document sets out the Treasury Management Policy (TMP) of VIVID and all its subsidiaries, associates and joint ventures.

1.2 The TMP is the responsibility of the Board and is updated annually based on a review and recommendations from the Treasury Committee.

1.3 We define treasury management activities as the management of our cash flows, borrowings, banking, investments, hedging and capital market transactions.

2 Policy Statements

2.1 This section sets out the principles that will be applied in all treasury management activities.

2.2 The primary objectives of our treasury management function are:

- Providing the financial resources necessary to achieve our business plan objectives
- Managing the risks inherent in our treasury activity.

Liquidity management

2.3 We'll always have adequate cash and borrowing facilities to enable the achievement of our corporate objectives.

> Golden Rule 1 - All contractually committed development costs should be fully funded with available funds, grant and operating cash flows with no reliance on sales.
>
> Operating cashflows will be discounted at 12%.
>
> Revolving credit facilities maturing in the next 12 months will be excluded from the calculation of available funds.

2.4 Liquidity will be sourced from a combination of cash deposits, overdrafts and committed loan facilities from counterparties and is available to draw within five days that meet the requirements set out in section 4. Shelf facilities, standby liquidity and retained bonds that take longer to draw (between 6 and 30 days) shall be included as liquidity but at a rate of 50%.

2.5 We'll maintain a minimum cash balance that is adequate to meet unexpected expenditure requirements that may arise from time to time. The Chief Finance Officer will determine the minimum cash balance that should be held and is authorised to draw from available loan facilities.

2.6 The Chief Finance Officer can authorise draws from shelf facilities up to £50m within a financial year, subject to the coupon not exceeding the long-term funding rate in the Business Plan.

2.7 We'll maintain a cash flow forecast that includes all our committed development expenditure and use this to monitor our liquidity requirements.

Interest rate and inflation risk

2.8 We'll manage our exposure to short term fluctuations in interest rates and inflation rates with the aim of containing interest costs within the annual budget and Business Plan.

Golden Rule 2 – No more than 35% of debt should be exposed to variable rates and no more than 10% should be index-linked.

Golden Rule 3 – The duration of debt should exceed eight years.

Golden Rule 4 - No more than 25% of our debt should mature within any 12-month period.

Compliance and relationship management

2.9 We'll ensure that covenant compliance is monitored and reported in accordance with the requirements of each of our loan agreements.

2.10 We'll actively manage our relationships with lenders and other counterparties; however, the primary basis of the relationship is contractual and the Chief Finance Officer will put robust arrangements and controls in place to ensure that contractual obligations are met.

2.11 We will never take any action requiring a lender's consent unless in receipt of written consent.

Counterparty risk

2.12 We recognise that the counterparty for a credit facility or cash deposit could fail to fulfil its contractual obligations resulting in a liquidity or interest rate risk problem.

2.13 The minimum credit ratings required for all counterparties are set out in section 4.

2.14 The credit ratings of counterparties, rather than the returns, will be the primary consideration when deciding how to invest surplus funds.

2.15 The Chief Finance Officer will monitor the credit ratings of all counterparties. If the credit rating of a counterparty is downgraded below the minimum requirement, a report with appropriate recommendations will be made to the Audit & Risk Committee and Treasury Committee.

Security utilisation

2.16 We'll maintain property security in excess of the levels imposed by our loan agreements.

Golden Rule 5 - The value of security charged to non-amortising loans should exceed the asset cover requirement by at least 5%.

2.17 When negotiating funding agreements, we'll aim for maximum flexibility to release and substitute property security.

Budgeting and accounting

2.18 We'll account for our treasury management activities in accordance with appropriate accounting standards, statutory requirements and regulatory requirements in force.

2.19 We'll always plan and budget to exceed the financial covenants imposed by our loan agreements.

Golden Rule 6 - The business plan and budget should demonstrate that the surplus from our social housing lettings will always cover 130% of our interest costs. When the budget and business plan is 'under stress', recovery plans should always exceed this threshold.

Golden Rule 7 – The business plan should demonstrate at least 5% of headroom above the tightest gearing covenant. When the budget and business plan is 'under stress', recovery plans should always exceed this threshold.

3 Internal control principles

3.1 This section sets out the internal control objectives which the Chief Finance Officer and all staff involved in treasury management activities must adhere to.

3.2 If it becomes necessary to depart from these principles, the Chief Finance Officer will seek approval from the Chairman and the Chairs of the Audit & Risk Committee and Treasury

Committee. The circumstances of the departure will be reported to the next meeting of the Board.

Treasury management procedures

3.3 The Chief Finance Officer is responsible for designing, implementing and monitoring:

- Written procedures setting out how all treasury management activity will be conducted;
- Records of all transactions, decisions, assets, liabilities, charges and commitments; and
- Arrangements for identifying, assessing and managing treasury-related risks.

3.4 All procedures will be reviewed at least every two years or earlier if circumstances change.

3.5 All staff carrying out treasury management activities will adhere to the documented procedures.

Staff training and qualifications

3.6 The Board and the Chief Executive must ensure that the Chief Finance Officer has the necessary skills and experience to cope with the complexity of our treasury management activities.

3.7 The Chief Finance Officer must ensure our treasury management activities are in line with the experience and skills of our staff and will appoint individuals who are both capable and experienced. The Chief Finance Officer will be fully responsible for the competence of the individuals to whom they delegate.

3.8 Ongoing training will be provided for staff to enable them to maintain an appropriate level of knowledge and skill.

3.9 Appropriate training will be provided to the board by the Chief Finance Officer and external advisors to equip them in their decision making.

External advisors and service-providers

3.10 The Chief Finance Officer will appoint external treasury advisors to provide specialist skills and resources.

3.11 Treasury advisors must provide objective advice. Anyone benefitting financially from fees or commission on transactions cannot be regarded as objective. The Chief Finance Officer will ensure that any fees or commission paid to advisors is fully disclosed and will take independent third party advice where necessary.

3.12 The Chief Finance Officer will ensure that the terms on which advisors are appointed are properly agreed and documented and subjected to regular review.

Documentation and record keeping

3.13 We'll maintain records of all our treasury management decisions, and of the processes and practices applied in reaching those decisions,

3.14 The Chief Finance Officer will maintain a register summarising all covenants (including financial) imposed by our lenders.

3.15 All loan documentation, term sheets and correspondence with counterparties will be retained for reference and audit.

3.16 Details of all charges over our assets will be maintained and reconciled to Land Registry records as changes are made.

3.17 Copies of all bank mandates will be maintained. A record of all changes to mandates will be maintained along with confirmation from the bank that the changes have been actioned.

Segregation of duties

3.18 Counterparties will be required to confirm transactions in writing to us. Confirmations will be reconciled with transaction records by a member of staff who was not involved in the transaction.

3.19 Statements from bankers, lenders and other counterparties will be reconciled to accounting records on a monthly basis. The reconciliations must be performed by people who are not involved in the execution of transactions.

Fraud, corruption and money laundering

3.20 The Chief Finance Officer will ensure that appropriate insurance cover is maintained. Any transmission of funds greater than £10m requires the Chief Finance Officer's consent and should be limited to payments relating to debt facilities and approved development contracts.

3.21 The Chief Finance Officer will implement procedures to prevent and detect potential fraud and money laundering activities and will be our Money Laundering Reporting Officer (MLRO) and will make disclosures to the Serious Organised Crime Agency (SOCA) as required by the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

Performance monitoring and reporting

3.22 The Chief Finance Officer will prepare a six monthly Treasury Report to the Board covering:

- the material decisions taken and transactions executed
- the implications of changes to regulatory, economic, market or other factors affecting its treasury management activities;
- compliance with this policy;
- progress with the Annual Treasury Plan approved by the Treasury Committee; and
- the performance of the treasury management function.

4 Approved instruments, methods and techniques

4.1 We'll undertake our treasury management activities by employing only the instruments, methods and techniques detailed in this section.

4.2 We will not incur foreign exchange rate risk and borrowings or investments will be in sterling, or hedged to sterling using cross currency swaps.

Investment of surplus funds

4.3 We'll invest surplus funds with counterparties that:

- Are registered with the Financial Conduct Authority (FCA) (or EEA authorised through the FCA's passport scheme) and/or Prudential Regulation Authority (PRA); and
- Meet the credit rating requirements as set out below.

4.4 We'll spread our surplus cash across a number of financial institutions at a level appropriate to their efficient management, subject to each counterparty meeting the credit rating limits set out in this policy.

4.5 Occasionally it may be necessary to hold a larger balance in our main operational bank account following or pending a large transaction, this should be limited.

4.6 The term of any deposit should not exceed 12 months.

4.7 Deposits up to £30m may be invested with AAA rated money market funds or counterparties that meet or exceed one of the following short-term credit ratings:

- S&P: A-1

- Moody's: P-1

4.8 Deposits up to £5m may be invested with counterparties that meet or exceed one of the following short-term credit ratings:

- S&P: A-2
- Moody's: P-2
- Or, with a long-term credit rating S&P: A- (or equivalent from Moody's or Fitch), where short-term credit ratings are not available

Corporate banking arrangements

4.9 Balances held with our operational bank will not exceed £30m. However, this can be increased to £60m for a maximum period of 3 days to allow for the processing of large transactions to take place. These exceptions will be reported to the Treasury Committee.

4.10 We'll obtain corporate banking services from an FCA and/or PRA registered bank who meet or exceed one of the following long-term credit ratings:

- S&P: A
- Moody's: A3

Borrowing instruments

4.11 We may borrow by means of overdraft, term loans, bonds, securitisations, notes, leases, hire purchase, revolving credit facilities, EMTN notes or conditional sale agreements. Treasury Committee will scrutinise and approve these transactions.

4.12 When considering whether to commit to borrowing funds, the Chief Finance Officer will take advice from our treasury advisors that considers the following information:

- The interest bases permitted under the proposed facility
- In the case of committed undrawn facilities, the proposed lender's credit rating and track record in the social housing market
- The lender's interest rate margin
- The all-in-cost of the financing proposals including all commitment, arrangement, and other fees, legal costs, valuation fees etc
- Financial covenant requirements and any other restrictive undertakings required
- Security requirements
- Arrangements for drawings funds
- Availability periods
- Events of default

4.13 The Chief Finance Officer is authorised to exercise an extension option to a borrowing facility that have the option to extend by one or two years.

4.14 Committed undrawn facilities which are to be used for calculating available liquidity must be with lenders who meet at least one of the following long-term credit ratings:

- S&P: A-
- Moody's: A3

Hedging instruments

4.15 We'll fix our interest rates to hedge interest rate and inflation risk and not for speculative purposes.

4.16 The Chief Finance Officer is authorised to balance the fixed percentage of our debt portfolio using the following instruments:

- Interest rate and inflation caps and collars
- Embedded fixed rates
- Fixed to floating and floating to fixed standalone swaps transacted under an ISDA

4.17 The following instruments can be used by the Treasury Committee to hedge or pre-hedge interest rates only then the conditions set out below are met:

- Gilt Locks
  - A Gilt Lock should only be used when a bond issue has been authorised
  - The use of a Gilt Lock should be approved alongside the issue of a bond, following the same authority levels set out in 4.19 and 4.20 of this policy
  - A Gilt Lock should be cancellable within a maximum of 6 weeks to limit our exposure to movements in Gilt rates
- Cross currency swaps
  - A cross currency swap can only be used where a funding transaction denominated in a currency other than £GBP has been authorised by the Board.
  - All currency swaps will be approved by the Treasury Committee
- Inflation linked standalone swaps
  - Any trade will be used for the purposes of hedging underlying debt
  - All inflation linked swaps will be approved by the Treasury Committee

4.18 All hedging counterparties must:

- be authorised by the FCA (or EEA authorised through the FCA's passport scheme) and/or PRA or other corporate bodies.
- meet at least one of the following long-term credit ratings:
  - S&P: A-
  - Moody's: A3

Public/listed bonds

4.19 The issue of public bonds with a notional value not exceeding £400m can be authorised by the Treasury Committee (as determined by our Financial Regulations).

4.20 The issue of public bonds with a notional value not exceeding £100m can be authorised by the Board of Peninsular Capital plc (as determined by our Financial Regulations).

Deputisation

4.21 If the Chief Financial Officer is unavailable, the Treasury Committee is authorised to deputise in the matters contained in this policy.

Consultation requirements	Last Consultation Date	Date for next consultation
N/A	N/A	N/A
Equality Impact Assessment required?	**Last EIA date completed**	
No	N/A	

Author	Owner	Approval level	Date approved	Review date
Group Treasurer	Group Treasurer	Treasury Committee	March 2023	March 2024
Group Treasurer	Group Treasurer	Treasury Committee	December 2023	March 2024
Group Treasurer	Group Treasurer	Treasury Committee	April 2024	April 2025
Group Treasurer	Group Treasurer	Treasury Committee	May 2025	May 2026