Rooftop Housing Group

Treasury Strategy

Financial Year 2025 / 26

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Disclaimer

1. Executive Summary

1.1. Debt Portfolio (as of 31st March 2025)

1.1.1. Rooftop Housing Association Limited ("Rooftop") committed and available funding totals **£279.6m**, of which **£249.6m** was drawn and **£30m (11%)** remains undrawn.

1.1.2. The portfolio is **well balanced**, with no single counterparty accounting for more than 40% of total loan commitments. There is also a **good mix of funding types** – combining both shorter and longer-term facilities provided by the banking market with longer-term fixed rate investment through bonds. All existing lending counterparties are consistent and long-term supportive funders to the sector.

1.1.3. **£65m** of the committed facilities are RCFs, which are a more flexible facility that allows Rooftop to draw, repay and re-draw. They provide an effective way of managing cost of carry by matching loan drawdowns to the funding needs of the Plan. At **21% of the total debt portfolio**, SFC assesses this to be an appropriate proportion of the overall debt portfolio.

1.1.4. Rooftop's undrawn facilities consist of **£30m** available through its RCFs with Lloyds and Santander. Together with a cash position of around **£15m**, the undrawn facilities provide a comfortable level of liquidity. The excess cash position should however be utilised to repay drawn balances on the RCFs.

1.1.5. The **Weighted Average Cost of Capital ("WACC")** was **4.77%**. Whilst this is a higher level than the average seen in the 2024 Global Accounts (4.40%), it is materially below the current variable cost of financing as Rooftop's currently high level of fixed interest rate financing (85%) has protected the business from significant increases in interest rates in recent years.

1.1.6. The Weighted Average Life ("WAL") of all debt was **around 11 years**. In SFC's view this sits around the sector average and seeking opportunities to extend the WAL of the portfolio at the appropriate time in the coming years will continue to be an objective.

1.2. Interest Rate Risk (as of 31st March 2025)

1.2.1. Rooftop was paying **85%** of its interest costs on a fixed rate basis. This position continues to provide the organisation with high levels of interest rate risk protection. That being said, there is a significant fixed rate expiry (£25m) due this financial year (Jan 2026) which will reduce the fixed rate proportion of the portfolio to 75%.

1.2.2. This level remains above the **60%** rule contained in the Treasury Management Policy ("TMP") and is forecast to stay above this threshold for the next five years of the Plan without any remedial actions taken or further fixed rate debt implemented. However, consideration will be given to re-fixing the £25m Nationwide loan later in this financial year to maintain a higher level of rate protection.

1.2.3. The Mark-to-Market ("MtM") position (as of 31st March 2025) of Rooftop's embedded fixed rate loan portfolio was **-£3.6m**, meaning that the average underlying fixed rate Rooftop is paying is above what can be achieved in current market conditions. This has however significantly reduced compared to last year (-£6.6m) due to interest rates moving significantly higher.

1.3. Cash Portfolio (as of 31st March 2025)

1.3.1. Rooftop had **£15.5m** of cash and short-term investments across all accounts, deposits and funds. This is a high level of cash held by an organisation of Rooftop's size which reflected the anticipation of higher development costs at year-end. Rooftop's TMP prudently requires that minimum cash balances should be at least £5m or the definition of "Liquid Funds", whichever is higher.

1.3.2. Rooftop's current cash investments meet the credit rating criteria and investment limits contained within the TMP. However, consideration should be given to spreading the investments across other counterparties in the future if cash balances are expected to be high for a sustained period of time. However, the first use of the excess cash should always be to repay drawn balances on the RCFs.

1.4. Security Portfolio (as of 31st March 2025)

1.4.1. Rooftop had a total security pool of **6,873 homes**, of which **5,789** were charged to lenders with a collective valuation of **£463m** and **1,084** homes remained unencumbered.

1.4.2. Rooftop benefits from a total over-secured security position of **+£136m** across all its lenders. However the real level available for release would be lower due to negative MTM and potential covenant restrictions. Despite this there would likely be a significant level of value available for release over the coming years, to further support the unencumbered pool.

1.4.3. That being said, Rooftop maintains an appropriate level of unencumbered assets, representing **16% (1,084 units)** of the total portfolio. Rooftop is therefore currently compliant with the stipulation in its TMP that 2.5% of its total properties must remain unencumbered.

1.5. Financial Covenants

1.5.1. Following previously successful negotiations with its bank lenders, Rooftop has shifted from having an EBITDA-MRI interest cover definition to having an EBITDA-only definition with its three banking lenders, Nationwide, Lloyds and Santander (and therefore across its entire debt portfolio). This has provided the organisation with significantly increased headroom under its most constraining covenant, despite including further stock investment in the Plan to meet EPC by 2030 and to move towards the delivery of Net Zero Carbon.

1.5.2. The latest Plan does however include a fairly significant asset disposal programme, which supports the delivery of enhanced stock investment. The Lloyds and Nationwide interest cover covenants do not include these projected surpluses and due to the higher covenant threshold the Nationwide covenant is therefore the tightest covenant over the coming years. It is important to monitor any reliance on the projected sales moving forward both from an interest cover perspective but also from a liquidity perspective.

1.5.3. Rooftop is also subject to a gearing covenant across its three banking facilities. Gearing is expect to be at its highest level at Year 1 and is projected to decrease year on year over the next 10 years of the plan. There is ample headroom in all years of the Business Plan, with the tightest headroom equating to £124m of additional debt in Year 1.

1.5.4. Interest cover will continue to be the constraining factor for Rooftop and whilst the covenants have been adjusted to be more flexible, the real limitation is going to be Rooftop's appetite for EBITDA-MRI interest cover performance moving forward. It continues to be an important metric both for the Regulator and funders. SFC would expect this metric to be carefully monitored moving forward and ideally it would be assessed by the Board through a Golden Rule structure.

1.6. Funding Strategy

1.6.1. Based upon the current projections, the existing funding arrangements support the delivery of the Plan sufficiently until the next RCF expiry, which is currently December 2028. The TMP requires Rooftop to maintain at least 18 months liquidity to cover net cash out-flows. The current liquidity covers the next **41 months** based upon the projections in the Plan, albeit these do include the asset disposal programme and a limited development programme.

1.6.2. Negotiations with Santander have led to a successful outcome in relation to the first extension option related to their RCF, which will lead to an extension of the maturity to March 2030 with no changes to existing pricing (they were originally quoting a significant margin increase). Extension options remain in relation to the Lloyds RCF and one further option remains with Santander. Successfully utilising these options would extend the liquidity coverage for the Plan.

1.6.3. Based upon the strong levels of liquidity and the existing extension options, as well as the existing reasonable level of interest rate risk management, no additional financing is proposed for this financial year. Seeking to extend the weighted average life of the portfolio and manage the refinancing risk related to larger RCF drawings will be considered in more detail during 2026.

1.7. Recommendations

1.7.1. To finalise the first extension option with Santander – extending the maturity to March 2030.

1.7.2. To seek terms for the first extension of the Lloyds RCF at the appropriate time and the second Santander RCF extension later this financial year.

1.7.3. To ensure excess cash is utilised to repay drawn RCF balances (whilst maintaining compliance with TMP) and if expected to remain for a sustained period of time consider spreading the investment across more than the clearing bank.

1.7.4. To review the options available for the £25m Nationwide fixed rate that is due to expire in January 2026 – with considerations and recommendations to be presented to Board later this year. This will result in either re-fixing the £25m loan or allowing the loan to revert to variable rates of interest.

1.7.5. To consider the value of a shadow rating exercise as part of the 2026/27 business planning process to inform decisions around asset investment, development and the consequential impact on creditworthiness and attractiveness to potential investors and existing lenders.

1.7.6. To finalise the ongoing security release exercise with Nationwide.

2. Introduction and Background

2.1. Introduction

2.1.1. Rooftop Housing Group Limited (the "Group") is a non-charitable Registered Society and Registered Provider ("RP") and Group parent. Rooftop Housing Association Limited ("Rooftop") is the charitable subsidiary of the parent organisation which is also an RP and owns the Group's housing assets as well as being the only external borrower. The group structure is shown in the chart below:

Rooftop Housing Group Limited
Non-Charitable Registered Society and Registered Provider. Providers operational and corporate services

Rooftop Homes Ltd
Dormant, non-asset holding

Rooftop Housing Association
Registered Provider and asset-bearing subsidiary

Rooftop Management Ltd
Dormant, non-asset holding

2.1.2. Treasury Management is one of the key financial functions of Rooftop and its Treasury Management Policy (the "Policy") requires an Annual Treasury Strategy ("ATS") to be prepared and approved by the Board on an annual basis.

2.1.3. The purpose of the ATS is to set out the Group's treasury aims and objectives for the forthcoming financial year. Savills Financial Consultants ("SFC"), as the Group's retained treasury advisors, have prepared this document in conjunction with the Executive team to fulfil that requirement.

2.1.4. The following sections set out the specific and expected treasury management activities and proposed strategy for financial year **2025/26**. The report therefore includes the following key sections, and items reported as at **31st March 2025**:

- Debt portfolio (**Section 3**)
- Interest Rate Risk management (**Section 4**)
- Cash portfolio (**Section 5**)
- Security portfolio (**Section 6**)
- Financial covenants (**Section 7**)
- Funding Strategy (**Section 8**)

2.2. Business Plan

2.2.1. The Board approved Business Plan ("the Plan"), **"RHA 25-26 FBP - base plan v4"**, has been used to prepare this report.

2.2.2. For the purposes of this strategy, SFC has made a minor adjustment to the plan to turn off any hypothetical debt beyond the available and committed facilities. **SFC recommends that RHA considers adopting this approach for future iterations of the Plan.**

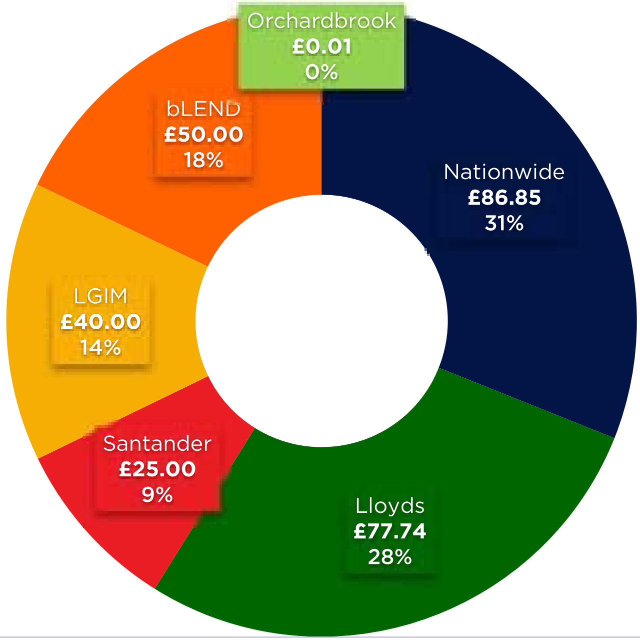
3. Debt Portfolio

3.1. Debt Facilities

3.1.1. All of the Group's external debt is held with Rooftop Housing Association Limited. As of **31st March 2025**, the total committed and available funding for Rooftop was **£279.6m**, of which **£249.6m** was drawn and **£30m (11%)** remained undrawn. This position now excludes the Lloyds Tranche D facility which matured in 2024.

3.1.2. The chart below illustrates the total committed debt portfolio split between Rooftop's funders:

Debt Portfolio
of all available debt facilities, by lender **(£m)**



3.1.3. Rooftop's debt portfolio comprises a mix of term loans, revolving credit facilities[1] ("RCFs"), and an aggregated bond, split across a total of **six different counterparties** – three banks; Nationwide Building Society ("Nationwide"), Lloyds Banking Group ("Lloyds"), and Santander UK ("Santander"), one institutional investor; Legal and General Investment Management ("LGIM"), and two Aggregators; bLEND and Orchardbrook.

3.1.4. The portfolio is **well balanced**, with no single counterparty accounting for more than 35% of total loan commitments. There is also a **good mix of funding types** – combining both shorter and longer-term facilities provided by the banking market with longer-term fixed rate investment through bonds. All existing lending counterparties are consistent and long-term supportive funders to the sector.

[1] *A flexible facility that can be drawn, repaid and re-drawn again*

3.1.5. The three banks are heavily invested and are each very keen to expand their borrowing within the sector. Nationwide have seen a reasonably significant adjustment in their approach to lending in recent years and are now increasingly flexible in relation to funding.

3.1.6. A more detailed breakdown of Rooftop's total portfolio is summarised in the table below.

Lender	Interest Type	Flexibility Type	Repayment Type	Available Facility *(m)*	Drawn Facility *(m)*	Undrawn Facility *(m)*	Interest Margin	All-in Rate	Repayment Date
Nationwide									
Tranche A	Variable	Revolver	Bullet	£5.00	£5.00	£0.00	0.400%	**4.855%**	31-Mar-38
Tranche B[1]	Fixed	Term	Amortising	£8.00	£8.00	£0.00	0.400%	**5.730%**	31-Mar-38
	Fixed	Term	Amortising	£25.00	£25.00	£0.00	0.400%	**6.650%**	31-Mar-38
	Fixed	Term	Amortising	£5.00	£5.00	£0.00	0.400%	**4.520%**	31-Mar-38
	Fixed	Term	Amortising	£5.00	£5.00	£0.00	0.400%	**5.580%**	31-Mar-38
	Fixed	Term	Amortising	£8.00	£8.00	£0.00	0.400%	**5.190%**	31-Mar-38
	Fixed	Term	Amortising	£7.00	£7.00	£0.00	0.400%	**5.480%**	31-Mar-38
	Fixed	Term	Amortising	£20.00	£20.00	£0.00	0.400%	**5.750%**	31-Mar-38
	Variable	Term	Amortising	£1.43	£1.43	£0.00	0.400%	**4.855%**	31-Mar-38
Tranche C	Fixed	Term	Amortising	£0.63	£0.63	£0.00	0.950%	**6.540%**	29-Mar-29
	Fixed	Term	Amortising	£1.79	£1.79	£0.00	0.950%	**5.070%**	29-Mar-29
Lloyds									
Tranche A	Fixed	Term	Amortising	£29.51	£29.51	£0.00	0.300%	**4.628%**	31-Mar-30
Tranche B	Fixed	Term	Amortising	£7.63	£7.63	£0.00	1.500%	**2.896%**	31-Mar-30
Tranche C	Variable	Revolver	Bullet	£35.00	£30.00	£5.00	1.100%	**5.555%**	20-Dec-28
Tranche E	Fixed	Term	Amortising	£5.60	£5.60	£0.00	1.500%	**4.179%**	31-Mar-30
Santander	Variable	RCF	Bullet	£25.00	£0.00	£25.00	1.120%	**5.575%**	22-Mar-29
LGIM	Fixed	Term	Bullet	£40.00	£40.00	£0.00	-	**4.868%**	30-Jun-34
bLEND	Fixed	Term	Bullet	£50.00	£50.00	£0.00	-	**2.922%**	01-Mar-54
Orchardbrook	Fixed	Term	Amortising	£0.01	£0.01	£0.00	-	**13.625%**	30-Sep-42
Total				**£279.60**	**£249.60**	**£30.00**			

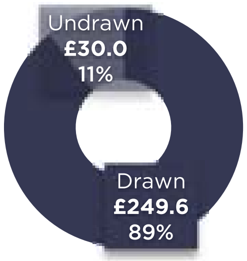
Note 1 – The fixed rate for the Nationwide Tranche B loans often expires ahead of the loan maturity date, see section 4.3.3 for detail

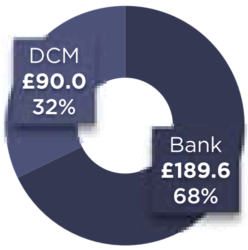
3.1.7. Rooftop's undrawn facilities comprise of **£30m** made available through **£5m** undrawn from the £35m Lloyds' RCF and the **£25m** Santander RCF. Together with a cash position of **£15.5m**, the undrawn facilities provide an adequate level of liquidity (**£45.5m**) for an organisation of Rooftop's size.

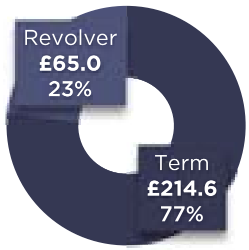
3.1.8. **£65m** of the committed facilities are RCFs, which are a more flexible facility that allows Rooftop to draw, repay and re-draw. They provide an effective way of managing cost of carry by matching loan drawdowns to the funding needs of the Plan. At **23% of the total debt portfolio**, SFC assesses this to be an appropriate proportion of the overall debt portfolio. However, it should be noted that the Lloyds RCF is heavily drawn.

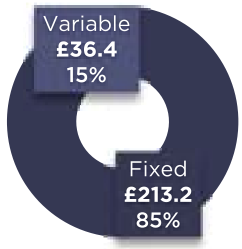
3.1.9. The **Weighted Average Cost of Capital ("WACC")** was **4.77%**. This has increased slightly since last year despite three Bank Rate reductions as the Lloyds Tranche C RCF has been significantly drawn upon (£30m) at a higher marginal cost of funding during that time period. Whilst this is a higher level than the sector average of 4.40% reported in the 2024 Global Accounts, it is materially below the current marginal variable cost of new debt. It is also expected that the sector average has likely increased since then due to this elevated marginal cost of new funding.

Utilisation	Source	Flexibility	Interest
portfolio split (£m)	portfolio split (£m)	portfolio split (£m)	portfolio split *(drawn)* (£m)





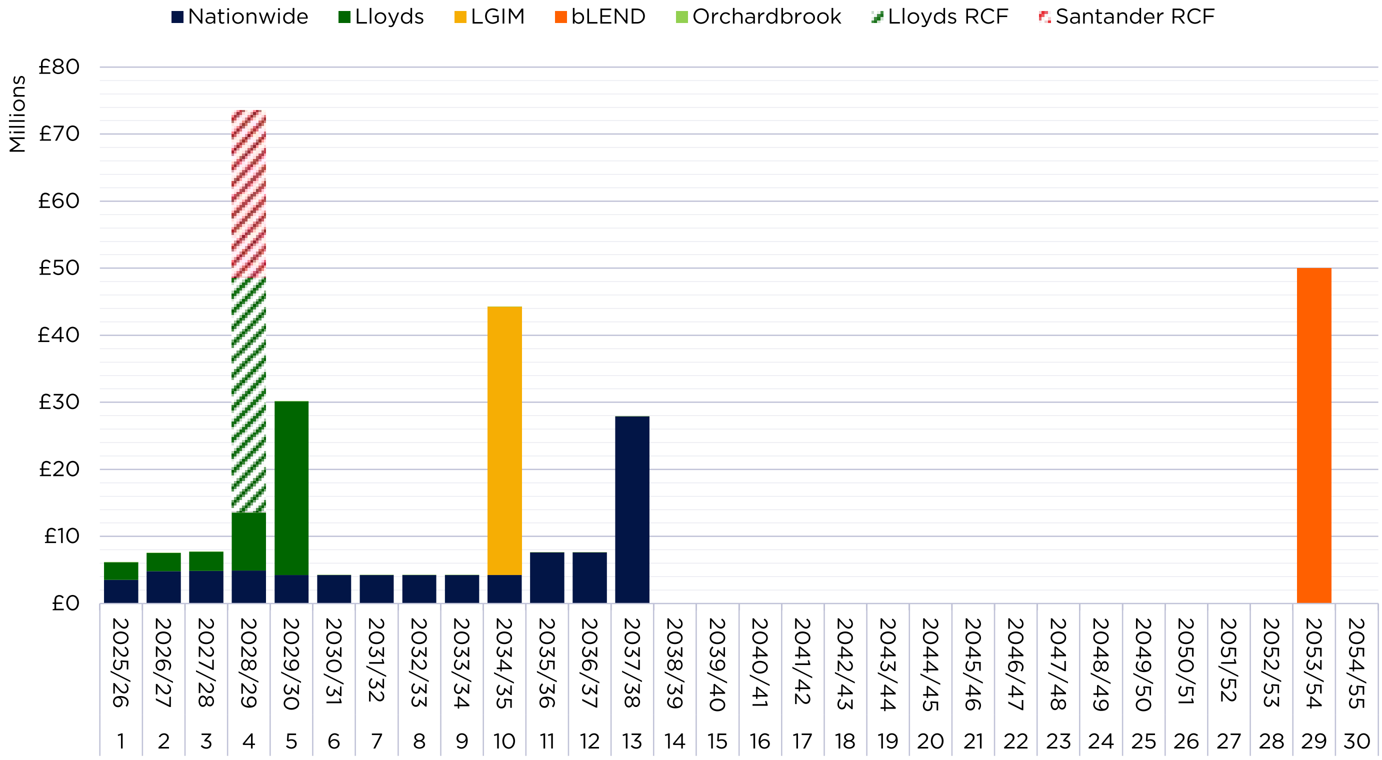




3.2. Debt Maturity Profile

3.2.1. The graph below illustrates the debt repayment profile over the life of the **2025/26** business plan:

Debt Maturity Profile
displaying the position at the end of each financial year



3.2.2. Rooftop's debt repayments are spread out over the next **29 years** of the Plan and comprise of a mixture of bullet and amortising repayments. The debt provided by LGIM (**£40m**) and bLEND (**£50m**) are repaid in Years 10 and 29 respectively through two separate bullet payments.

3.2.3. The Nationwide facilities repay through an amortising structure over the next 13 years, followed by a bullet repayment at Year 13 – this refinancing risk will need to be managed in advance.

3.2.4. The most imminent maturity arises in **Years 4 and 5,** which relates to the existing RCFs with Lloyds and Santander (totalling £60m) and then the remaining amortisation payments associated with the legacy term loans – amounting to over £70m.

3.2.5. Over the course of the 2023/24 financial year, **both RCFs were extended and restructured**, and extension options were made available to Rooftop, providing additional control and flexibility with regards to the maturity concentrations in Year 4. The table below summarises the details of the extension options for both RCFs:

Lender	Extension(s)	Deadline for First Request	Deadline for Second Request
Lloyds	+1+1	3 months prior to the 2nd Anniversary *20th December 2025*	3 months prior to the 3rd Anniversary *20th December 2026*
Santander	+1+1	6-12 weeks prior to the 1st Anniversary *22nd March 2025*	6-12 weeks prior to the 2nd Anniversary *22nd March 2026*

3.2.6. Rooftop has already requested the first extension of the Santander RCF. The initial request was complicated by Santander's proposed re-pricing of the RCF margin (to 1.5%) which has delayed the process. Since then, after Rooftop and SFC negotiated with Santander, they have agreed to extend the **RCF without changing the margin** and the first extension is currently in the process of being documented. **SFC recommends this extension option is finalised on the agreed terms.**

3.2.7. Furthermore, there are two further extension options that expire over the course of 2025/26 - this is the first extension option with Lloyds and the second extension option with Santander. **SFC also recommends that Rooftop action both the first Lloyds extension option (by September 2025) and the second Santander extension option (by February 2026) and that their responses are appraised relative to prevailing market conditions at the time of the request and proceeded with if they are deemed economically acceptable.**

3.2.8. **Section 8** of this report provides a further context for this recommendation, particularly considering the funding requirement and how it is impacted by the extension of the RCFs.

3.2.9. The overall repayment profile translates into a Weighted Average Life of Total Debt ("WAL") of around **10.9 years (February 2036)** as of 31st March 2025. In SFC's view this sits slightly below the sector average of around 12 years. **Seeking opportunities to extend the WAL of the portfolio in the coming years should be an objective** – likely to be achieved through the next financing exercise which will seek to term out the drawn balances on the newly procured RCFs.

3.2.10. There is a particular opportunity within the debt profile to procure financing with maturities of around **15-25 years** – this will be explored through the next financing exercise.

4. Interest Rate Risk Management

4.1. Financial Instruments

4.1.1. Rooftop's Treasury Management Policy ("Policy") stipulates that its exposure to future movements in interest rates should be carefully managed and a minimum percentage of loans should be linked to fixed rates of interest– at least **60%** in any given year.

4.1.2. As of **31st March 2025,** Rooftop was paying **85% (£213.2m)** of its interest costs on a fixed rate basis. However a significant existing fixed rate related to £25m of borrowing through Nationwide is due to expire in January 2026. As such and as per the updated TMP (following SFC review), the adjusted fixed position excluding this £25m fixed loan is and Rooftop is therefore **close to 75%** but this remains compliant with the minimum policy requirement.

4.1.3. This position still provides the organisation with high levels of interest rate risk protection and has largely protected the organisation from adverse movements in interest rates over the last few years. Rooftop's proportion of fixed rate debt is close to the sector average of 77% as reported by the RSH's Quarterly Survey for Q4 (January to March 2025).

4.1.4. Rooftop achieves its current interest rate risk protection through two types of fixed rate instruments - "embedded" fixed rate loans through Nationwide and Lloyds and fixed coupon notes issued through the debt capital markets.

4.1.5. The fixed rates with Nationwide and Lloyds are "embedded" because they are not captured under a separate agreement, which would be the case for a standalone interest rate swap (documented by way of an ISDA). There is therefore no credit support annex and requirement to post additional security when interest rates move outside of defined thresholds (known as a 'margin call') – this arrangement minimises risk for Rooftop but it is less flexible.

4.1.6. Rooftop should be aware that a growing number of banking institutions are no longer offering this embedded product due to issues with their accounting treatment and are only offering "loan-linked" or standalone interest rate swaps (documented by way of an ISDA[2] Master Agreement). These instruments would need to be brought forward to board and independent financial advice would need to be sought, before they could be implemented.

4.1.7. A loan-linked ISDA benefits from no CSA as it relies on the security of the underlying loan and is therefore not subject to margin calls – this has made this product increasingly popular in the social housing sector in recent years. However because the ISDA is intrinsically tied to the underlying loan, it cannot be ported over to other funding or counterparties like a standalone ISDA could be.

[2] *International Swaps and Derivatives Association*

4.2. Breakage Costs

4.2.1. When a fixed rate agreement is entered into it has an underlying agreed interest rate that is referenced to prevailing market rates at the time the transaction is agreed.

4.2.2. Market rates will change over time and the value of a fixed rate agreement will fluctuate depending on the direction that interest rates have moved. Generally, if rates move up the value (to the lender) of the contract will go down and if rates fall the value of the contract to the lender will increase.

4.2.3. If Rooftop wanted to repay these embedded fixed rate funding agreements at any point in the future, it would be required to compensate the counterparty for the cost (or vice versa) of unwinding these agreements and this is known as "breakage costs". This is quite often also referred to as the "Mark to Market" ("MtM") value of the contract.

4.2.4. The terms of bonds and notes purchased through the debt capital markets contain prepayment clauses that require the issuer to recompense the investor for the **total loss of return** in the event that the issuer wishes to prepay. This means that Rooftop would effectively be pre-paying the market interest foregone on the loan until maturity (including the spread).

4.2.5. This approach is standard for debt capital market instruments and is generally known as a "Spens" or "full Spens" provision or calculation. If Rooftop were to pre-pay any of its debt capital markets issuances and replace them with another loan for an equal term this would not make economic sense as it would have to fund the breakage (or Spens) cost as well and at the same time still repay the investors their original return (margin/spread included).

4.3. Embedded Fixed Rate Loans

4.3.1. As at 31st March 2025, the existing embedded fixed rates held with Lloyds and Nationwide, which total **£123.4m**, is shown below alongside the indicative **total MtM of -£3.60m** for Rooftop.

4.3.2. As can be seen from the table below, Rooftop holds a **positive MtM ("in the money") position with Lloyds** because the average fixed interest rate is now below the current market for an equivalent contract. If Rooftop decided to exit the contract, Lloyds would be required to pay Rooftop this sum.

Counterparty	Amount	Maturity Date	Time to Maturity	Fixed Rate (exc. Margin)	Repayment Profile	Indicative MtM £
Lloyds Tranche A	£29,508,176	31/03/2030	5 years and 0 months	4.33%	Bullet	£(296,327)
Lloyds Tranche B	£7,634,178	21/02/2029	3 years and 11 months	1.40%	Amortising	£664,878
Lloyds Tranche E	£5,600,000	31/03/2030	6 years and 0 months	2.68%	Amortising	£301,637
					Total Lloyds	**£670,188**

4.3.3. However, the Nationwide fixed rates still hold a negative mark to market ("out of the money") position and Rooftop would be required to pay the MtM figure to Nationwide to break these contracts.

Counterparty	Amount	Maturity Date	Time to Maturity	Fixed Rate (exc. Margin)	Repayment Profile	Indicative MtM £
Nationwide Tranche B	£5,000,000	30/09/2026	1 years and 6 months	4.12%	Bullet	£3,066
Nationwide Tranche B	£5,000,000	28/09/2032	7 years and 6 months	5.18%	Bullet	£(337,003)
Nationwide Tranche B	£8,000,000	28/09/2032	7 years and 6 months	4.79%	Bullet	£(337,708)
Nationwide Tranche B	£7,000,000	28/09/2037	12 years and 6 months	5.08%	Bullet	£(515,444)
Nationwide Tranche B	£8,000,000	31/12/2035	10 years and 9 months	5.33%	Bullet	£(742,212)
Nationwide Tranche B	£25,000,000	30/01/2026	0 years and 10 months	6.25%	Bullet	£(398,509)
Nationwide Tranche B	£20,000,000	31/12/2035	11 years and 9 months	5.35%	Bullet	£(1,890,457)
Nationwide Tranche C	£840,056	29/03/2029	4 years and 12 months	5.59%	Bullet	£(47,197)
Nationwide Tranche C	£1,788,449	29/03/2029	4 years and 12 months	4.12%	Bullet	£(6,351)
					Total Nationwide	**-£4,271,815**
					Total	**-£3,601,626**

4.3.4. The overall MtM position to Rooftop has improved relative to March 2024 (when the position was close to £6m out of the money) as swap rates have increased during that time period.

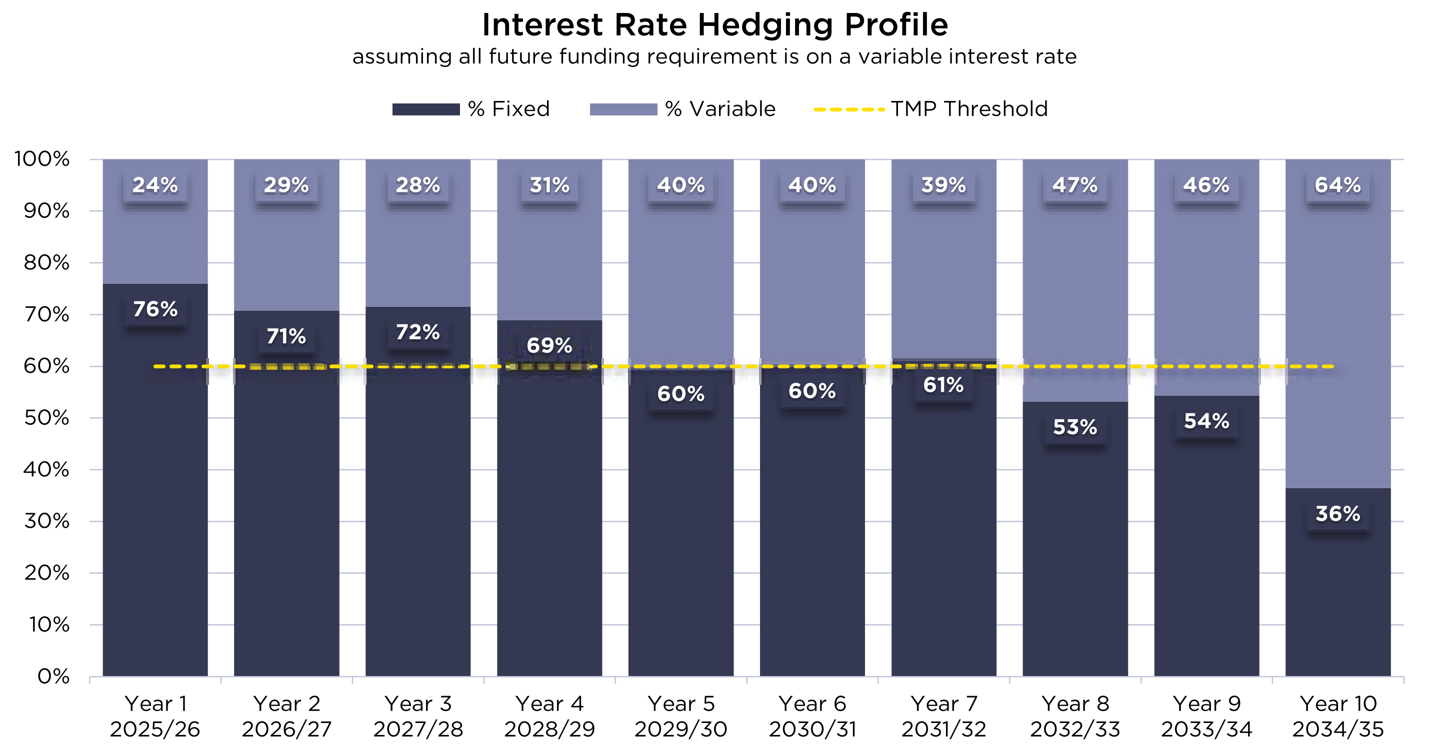
4.4. Interest Rate Risk Projections

4.4.1. The proportion of fixed rate debt is expected to remain above the TMP 60% lower limit for the next **few years** without any further remedial actions. It falls just below this level for the first time in Year 5 (2029/2030) with the expiry of c£25.9m in fixed rate debt between Lloyds and Nationwide. In reality this position would need to be managed ahead of this expiry.

4.4.2. It is expected that the forecasted RCF drawdowns as well as the £25m fixed rate expiry with Nationwide in January 2026 will lead to a drop in the level of fixed rate debt to just below 76% by the end of Year 1 (2025/26), from the current level of 85% fixed.

4.4.3. Due to the slower level of debt drawings in the Plan (as a result of reduced development), the proportion of fixed rate debt is then forecast to remain just above the 70% level until Year 4, with the expiry of the Lloyds Tranche A embedded fixed rate expected to bring the fixed rate proportion down to c. 60% in Year 5. It is likely that additional interest rate hedging as part of a refinancing exercise will have been procured by this point in order to mitigate this.

4.4.4. The forecast split between fixed and variable interest rate debt in the latest Business Plan is profiled over the next 10 years in the chart below (assuming all new borrowings are on a variable basis):



4.4.5. Given the existing level of interest rate risk protection, and the current elevated interest rate environment (and expectations for rates to fall further over the coming months), **SFC recommends that there is no requirement to immediately enter into new fixed rate arrangements.**

4.4.6. However, in light of the expiring £25m Nationwide fixed rate in January 2026, it is recommended that options are explored with Nationwide ahead of the expiry to consider re-fixing the interest rate. **SFC proposes that options are proposed back to Board closer to the expiry for consideration –** this may result in re-fixing or allowing the loan to revert to variable for the time being.

4.4.7. All things being equal, it is likely **that a refinancing exercise will commence over the coming couple of years** as the RCFs continue to be drawn upon – this process will provide an opportunity to increase the level of fixing within the portfolio and extend the life of the fixed rate portfolio.

5. Cash Portfolio

5.1. Cash and Short-Term Investments

5.1.1. Rooftop manages its liquidity primarily through its available cash and its committed RCFs. Both forms of liquidity feed into Rooftop's liquidity policy as per its TMP.

5.1.2. As of **31st March 2025**, Rooftop had **£15.5m** of cash and short-term investments across all of the Group's accounts, deposits and funds. This is a high level of cash held by an organisation of Rooftop's size which reflected the anticipated of higher development costs at year-end. Rooftop's TMP states that minimum cash balances should be at least £5m or the definition of "Liquid Funds", whichever is the higher.

5.1.3. The Group's cash and short-term investments are depicted by counterparty table below:

Counterparty	Holding Entity	Type	Notice	Deposit	Credit Limit	Rate	Credit Rating
Barclays	RHA	Unrestricted	Anytime	**£15.46m**	£25m	**3.90%**	P-1 / A-1 / F1
Nationwide	RHA	Restricted	35 days	**£0.00m**	£15m	**0.00%**	P-1 / A-1 / F1
Nationwide	RHA	Unrestricted	Instant Access	**£0.04m**	£15m	**0.00%**	P-1 / A-1 / F1
Nationwide	RHA	Restricted	95 days	**£0.04m**	£15m	**0.00%**	P-1 / A-1 / F1
Total				**£15.5m**			**P-1 / A-1 / F1**

5.1.4. Rooftop regards a prime objective of its treasury management activities to ensure that investments are managed in a way to minimise risk of losing capital invested and ensure liquidity is always available for the Group. The focus is not to increase investment returns but rather minimise risk.

5.1.5. The Group's TMP stipulates minimum credit rating requirements and associated investment limits associated with its cash investments. SFC can confirm that **all investments are currently compliant with these criteria.**

5.1.6. Rooftop should continue with its strategy of managing its cash balances through its RCFs and seek to minimise borrowing rather than investing surplus funds. If elevated levels of cash balances are to persist, then consideration should be given to reducing the concentration risk in having nearly all of cash sitting with Barclays, even though it is considered to be a reputable and well-rated counterparty. This could be achieved through diversifying its deposits via Nationwide and other counterparties.

5.1.7. Rooftop is benefiting from an attractive weighted average interest rate on the Barclays account of **3.90%.** Whilst this has come down significantly since last year, this was due to a series of Bank Rate cuts by the Bank of England. SFC considers the rate achieved with Barclays to be competitive in the current interest rate environment – particularly given the immediate access nature of the account.

6. Security Portfolio

6.1. Charged and Uncharged Stock

6.1.1. As of **31st March 2025**, Rooftop had a total security pool of **6,873 homes**, of which **5,789** were charged to lenders with a collective valuation of **£463m** and **1,084** homes remained unencumbered. The Group's security position is summarised by the table below:

Lending Counterparty	Homes	EUV-SH *(millions)*	MV-T *(millions)*	Total Loan Security *(millions)*	EUV-SH *(covenant)*	MV-T *(covenant)*	Effective Loan Security *(millions)*	Notional Facility (m)	Notional Asset Cover	Surplus Loan Security[1] *(millions)*
Nationwide	2,459	£155.78	£13.22	£169.00	105%	135%	£158.15	£86.85	195%	+£71.31
Lloyds	1,498	£79.67	£46.47	£126.14	105%	125%	£113.05	£77.74	162%	+£35.31
Santander	333	£2.36	£35.40	£37.76	105%	125%	£30.57	£25.00	151%	+£5.57
LGIM	871	£30.23	£23.20	£53.43	105%	115%	£48.97	£40.00	134%	+£8.97
bLEND	628	£10.09	£66.60	£76.70	110%	120%	£64.68	£50.00	153%	+£14.68
Orchardbrook	3	£0.14	£0.00	£0.14	187.5%	-	£0.07	£0.01	1114%	+£0.06
Subtotal	**5,789**	**£278.13**	**£184.90**	**£463.03**	**-**	**-**	**£415.42**	**£279.60**	**166%**	**+£135.82**
Undesignated	**693**	**£23.77**	**£30.40**	**£54.17**						
Uncharged	**391**	**£15.06**	**£14.74**	**£29.80**						
Total	**6,873**	**£316.96**	**£230.04**	**£547.00**						

6.1.2. Rooftop maintains sufficient headroom above all its lender asset cover covenants, including both Lloyds and Santander RCFs which allows the remainder of the facilities to be drawn at short notice.

6.1.3. The charged portfolio is secured using a mix of the two key valuation bases: **MV-T** and **EUV-SH**, with most units being charged using an EUV-SH basis (76% of units). Despite having a lower asset cover threshold, EUV-SH provides a lower borrowing capacity for Rooftop when compared with MV-T due the lower valuation. Taking the opportunity to value at MV-ST where possible should be a focus for Rooftop given the strength of the property markets in which it operates.

6.1.4. The Nationwide facility agreement only allows MV-ST to be adopted for the Tranche C facility – all other Nationwide loans are secured using an EUV-SH basis. This restriction was attempted to be amended as part of the restructuring exercise in the last financial year, however Nationwide were only amenable to it with a **significant re-pricing**, therefore it wasn't deemed cost effective given the relatively comfortable wider security portfolio.

6.1.5. Despite this, Rooftop benefits from an over-secured security position of **+£135.8m** amongst all its lenders, of which c. 53% comes from the excess security held with Nationwide. This surplus security could potentially be utilised and reallocated to future funding exercises. The value of this excess security is likely even higher due to the fact that most of the security is being limited to an EUV-SH valuation by Nationwide at present.

6.1.6. It should be noted that the security headroom outlined in the table above will not always equate to additional release capacity, as there are other factors and requirements in the loan agreements that could affect this. Examples are security release provisions such as the coverage of a negative MtM position any potential increased asset cover thresholds on release and any Net Annual Income tests (e.g. bLEND and L&G) that are required to be met. These NRI tests in particularly can be quite onerous and heavily restrict security release capacity.

6.1.7. Last year, SFC recommended that Rooftop considered releasing a proportion of the security excess held with Nationwide and leaving it charged but unallocated to the security trustee, so it is ready to be charged to future funding exercises. This process is currently being finalised with Nationwide agreeing to release some 167 properties from charge.

6.1.8. SFC would recommend leaving headroom (at least 5% of the value) in the security pots to protect against falls in the valuations, which is congruent with Rooftop's TMP.

6.1.9. Rooftop maintains an appropriate level of unencumbered assets, representing **16% (1084 units)** of the total portfolio. 693 of these units are charged to M&G and remain unallocated, whilst 391 are entirely unencumbered and in various stages of charging readiness. Rooftop is therefore currently compliant with the stipulation in its TMP that 2.5% of its total properties must remain unencumbered.

6.1.10. The 693 unallocated and 391 unencumbered units have an approximate valuation of c. £83.9m. Assuming asset cover covenants of 110% and 125% (EUV-SH/MV-STT), this results in an approximate borrowing capacity of £71.4m. This is notwithstanding the high levels of security headroom on the existing charged facilities, which if accounted for add up to £207m in additional debt capacity for the overall security portfolio. It is worth noting that not all of the unencumbered units will be suitable for charging in reality.

7. Financial Covenants

7.1. Covenant Definitions

7.1.1. Rooftop is required to operate within a set of corporate financial covenants with its lenders that are tested against the organisation's financial performance. Failure to comply with these financial covenants can trigger an Event of Default within the loan agreement. Note that for the purposes of this ATS, adjustments have been made to the debt modelling in the base business plan.

Covenant Type	Interest Cover	Gearing	Asset Cover	
Lender	EBITDA[3]	HPAV[4]	EUV-SH[5]	MV-T[6]
Nationwide	130%	70%	105%	135%
Lloyds	140%	70%	105%	135%
Santander	130%	70%	105%	125%
LGIM	-	-	105%	115%
bLEND	-	-	110%	120%
Golden Rule	+10%	-5%	+5%	+5%

7.2. Interest Cover

7.2.1. Interest cover is generally calculated by testing whether the adjusted EBITDA (adjusted operating surplus) covers a certain percentage of the annual interest costs. It is focused on Rooftop's ongoing ability to service its interest payments using monies generated through its cash-flow operations.

7.2.2. Rooftop successfully shifted from having an EBITDA-MRI definition to having an EBITDA-only definition with its three banking lenders, Nationwide, Lloyds and Santander (and therefore across its entire debt portfolio) as a result of the restructuring exercise in 2023 and 2024.

7.2.3. An EBITDA-only interest cover covenant is more flexible than an EBITDA MRI covenant as it does not deduct capitalised repair expenditure (MRI) from the calculation of operating surplus, meaning that the covenant headroom is significantly higher and more flexible allowing for further spend related to areas such as Net Zero Carbon.

7.2.4. Lenders do require a higher covenant ratio to offset this increased flexibility (which can often partially, or in some cases, erode all of the additional headroom generated). However, due to successful negotiations, this shift has resulted in significantly more headroom with all lenders.

[3] *Earnings Before Interest Tax Depreciation and Amortisation*
[4] *Housing Properties at Value*
[5] *Existing Use Value – Social Housing*
[6] *Market Value – Subject to Tenancy*

7.2.5. Rooftop has included the delivery of EPC C by 2030 and its SHDF Wave 3 commitments in its Plan. There has also been a significant estimated level of investment included to drive towards Net Zero Carbon. The development programme has been reduced in the 2025/26 Plan in order to ensure there is capacity to meet these costs, manage adverse stress testing scenarios and improve EBITDA MRI performance.

7.2.6. The interest cover that provides the highest level of headroom sits with Santander. Whilst both Nationwide and Santander share the same threshold at 130% (lower than Lloyds' 140%), Santander's EBITDA definition adds back Impairment Costs (c£2m over the first 10 years) and Profit/Loss from Sale of Fixed Assets. This improves the EBITDA figure and, consequently, the interest cover.

7.2.7. Whilst Nationwide and Lloyds share similar definitions of EBITDA, Lloyds has a higher threshold at 140% and excludes the Profit/Loss from Sale of Fixed Assets, which makes it the most restrictive covenant throughout the life of the plan. Rooftop is also bound by its most restrictive test first.

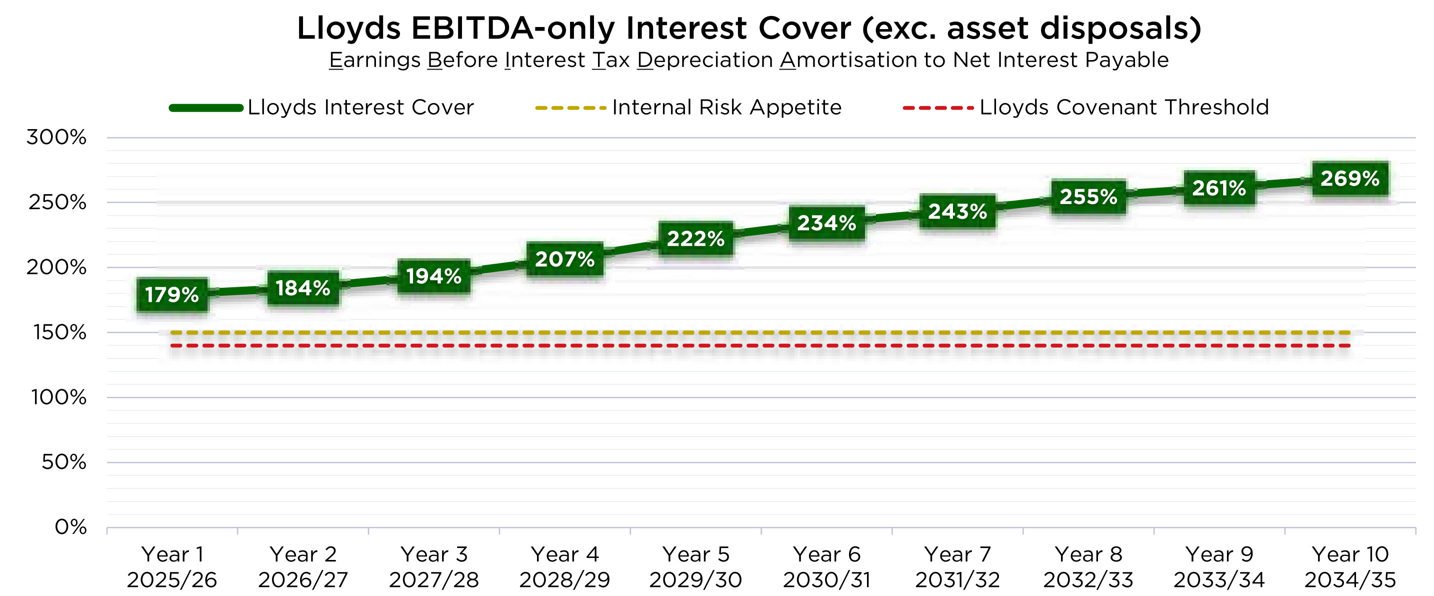
7.2.8. Rooftop has introduced a **void sales programme** in its 2025/26 Business Plan, in order to help fund development and improvements to existing properties as well as to potentially dispose of properties with poor energy efficiency.

7.2.9. This programme is projected to be material in Year 1 (2025/26), amounting to a surplus of c. £3.1m across 25 void sales, which is on top of an additional c. £1.7m of surplus across an existing programme of 56 identified disposals in that year. Rooftop has included a medium-term assumption of 5 void sales per annum between Year 2 (2026/27) and Year 5 (2029/30).

7.2.10. This income is beneficial to the Santander interest cover covenant as it is captured by the definition but is excluded by Nationwide and Lloyds. Whilst it is a reasonable strategy and aligns with approaches taken by others in the sector, it is important to maintain a prudent view on covenant performance and liquidity management.

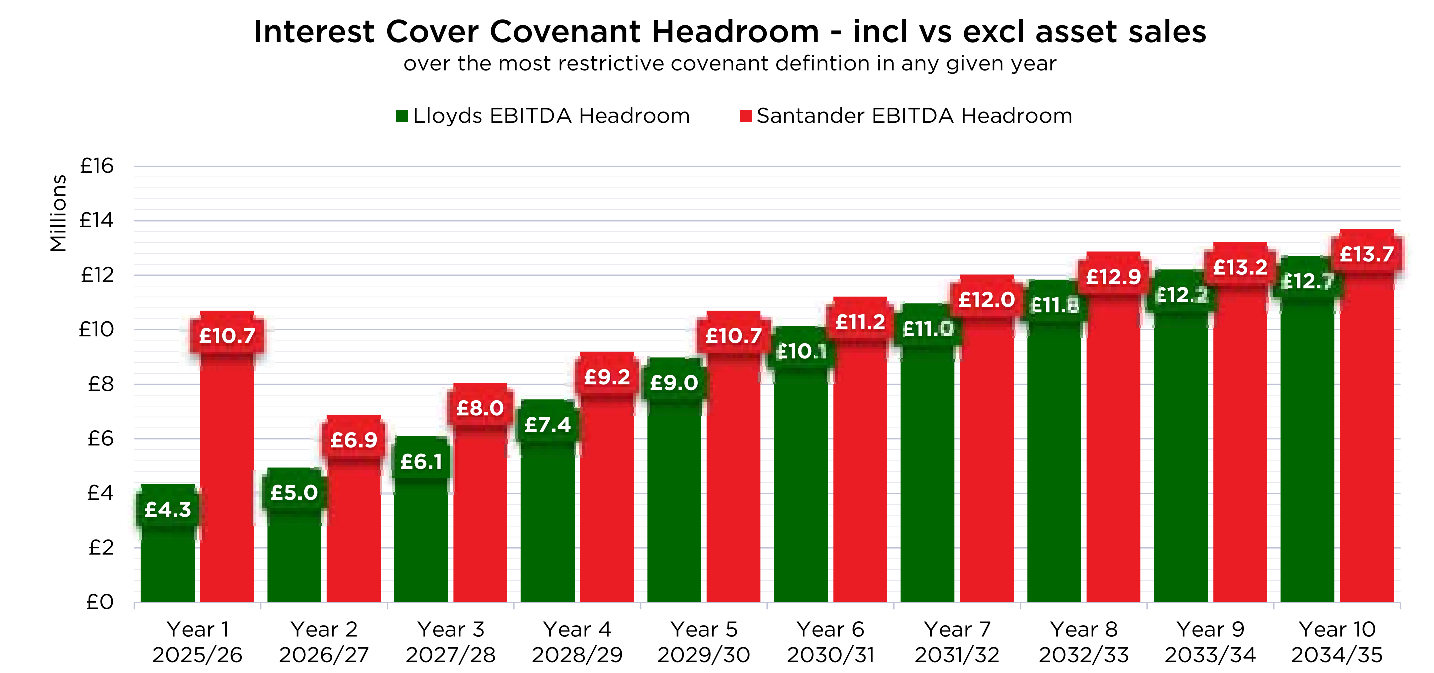
7.2.11. **Even if the interest cover covenants can be adjusted such that all calculations include the sales income, SFC would recommend that performance is maintained at a level that meets the covenant without the sales.**

7.2.12. As the most restrictive interest cover covenant, the Lloyds covenant has been calculated and profiled over the initial **10 years** of the Plan, the result of which is illustrated in the graph below:



7.2.13. The lowest interest cover level falls in Year 1 at 178%, which equates to an EBITDA headroom of £3.1m above the Golden Rule / Internal Risk Appetite limit. This represents a reasonable level of headroom excluding the income from asset sales and it is projected to increase significantly over the life of the plan - interest cover with Lloyds is forecast to reach 267% by Year 10 which results in EBITDA headroom of £11.5m.

7.2.14. The chart below illustrates the EBITDA headroom (above the respective covenant thresholds) provided by both Lloyds and Santander (with the latter allowing asset sale surpluses) for comparison, over the next 10 years of the Plan:

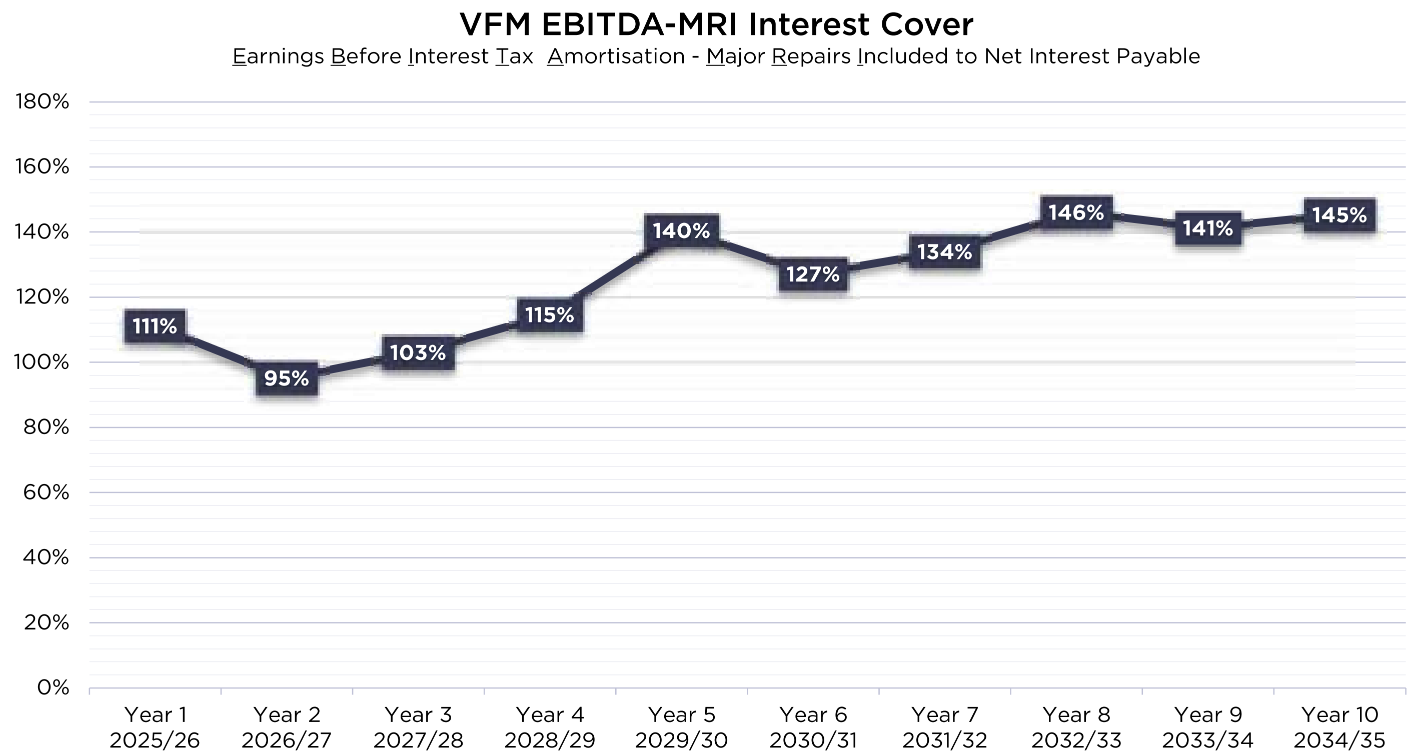


7.2.15. It can be seen that headroom is significantly higher in Year 1 for Santander, this is due to the large Surplus on the on Sale of Fixed Assets (c£5.3m) in that year. Between Years 2 and 5, there is c£2m in additional headroom with Santander due to a combination of the lower threshold and the inclusion of Fixed Asset Sales. As mentioned previously however, Rooftop is always bound by its most restrictive covenant first.

7.2.16. Despite not having **EBITDA MRI** as part of its financial covenant suite anymore, the Regulator of Social Housing ("RSH") will still monitor EBITDA MRI interest cover and assess its performance (among a number of other ratios) to determine an RP's Viability Rating.

7.2.17. It will also continue to be an important credit metric for new and existing lenders to monitor and assess Rooftop's creditworthiness and will continued to be assessed by other external stakeholders such as credit rating agencies. It therefore remains a highly important metric for assessing the ongoing viability of an organisation.

7.2.18. For monitoring purposes, the EBITDA-MRI interest cover performance (which takes the RSH's VFM definition which now adds back capitalised major repair grants) has been modelled and profiled over the next **10 years** of the plan, the result of which is shown below:



7.2.19. Whilst EBITDA MRI performance has deteriorated slightly versus 2024/25 Business Plan, the add-back of capitalised major repair grants improves the performance and generally holds it above 100% with the exception of Year 2 (2026/27).

7.2.20. This year's Business plan now includes c. £119m of Net Zero Carbon expenditure beyond 2030. In addition, firmer numbers have also been included in the plan for expenditure in EPC C, which brings capitalised expenditure **to c£124m over the next 10 year period** and a total of c. £415m until 2050.

7.2.21. Whilst Rooftop's committed SHDF grant funding has been included in the first three years of the Plan, a 50% grant rate assumption has been adopted in connection with the Net Zero Carbon expenditure which improves the long-term performance illustrated in the chart above.

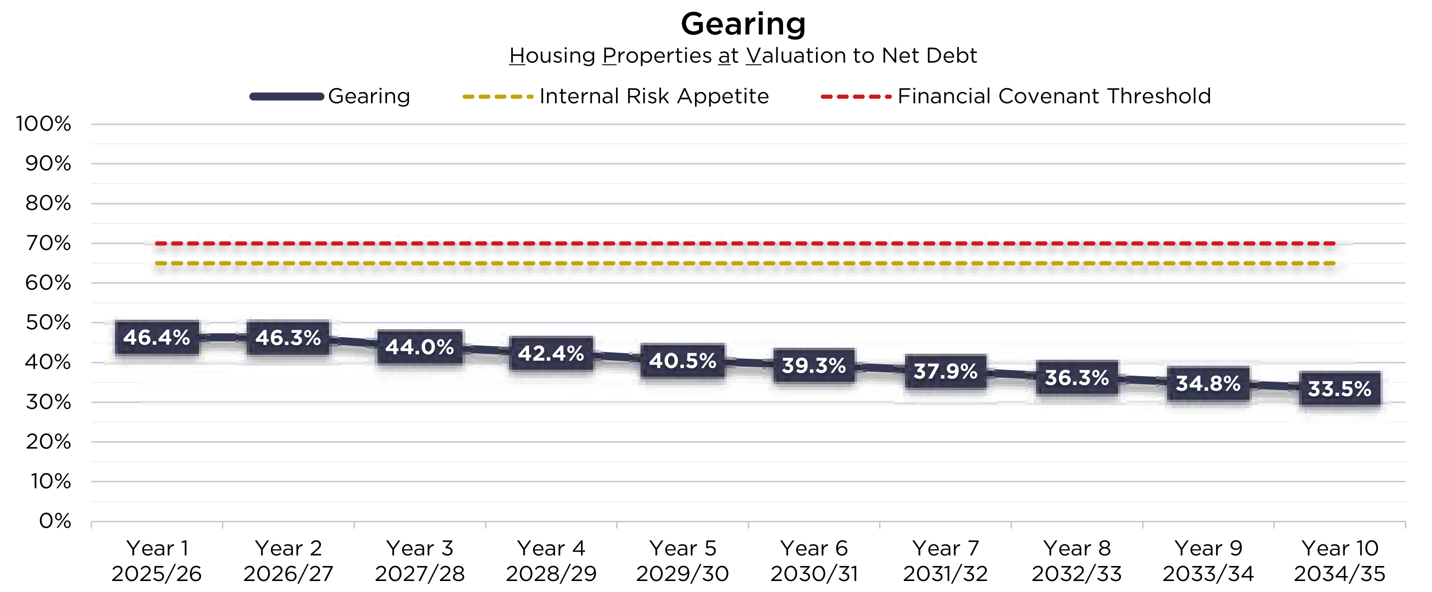
7.2.22. **SFC recommends that Rooftop continue to monitor this important metric and considers introducing a VFM-based EBITDA MRI interest cover target (i.e. including capitalised major repair grant add-back) of at least 100% as a rolling average over a 3-year period.** Whilst ideally the metric would be used as a Golden Rule, SFC notes that this recommendation aligns with Rooftop's recently implemented corporate objective to achieve at least 100% VFM EBITDA MRI (i.e. with grant add-back) on average over the three years of the 2025-28 Corporate Plan.

7.3. Gearing

7.3.1. Rooftop has gearing tests with the three banking lenders. Gearing is focused on the borrowing levels of the Association as a proportion of its asset base – in other words ensuring that the business does not over-borrow.

7.3.2. Rooftop's gearing tests consists of a Net debt to Housing Properties At Valuation ("HPAV"- restricted to EUV-SH at social rent). All lenders share the same definitions (which include Properties under construction at cost less any grant received on these properties) and the same covenant threshold.

7.3.3. The Gearing covenant performance[7] has been profiled over the initial **10 years** of the Plan, the result of which is illustrated in the graph below:



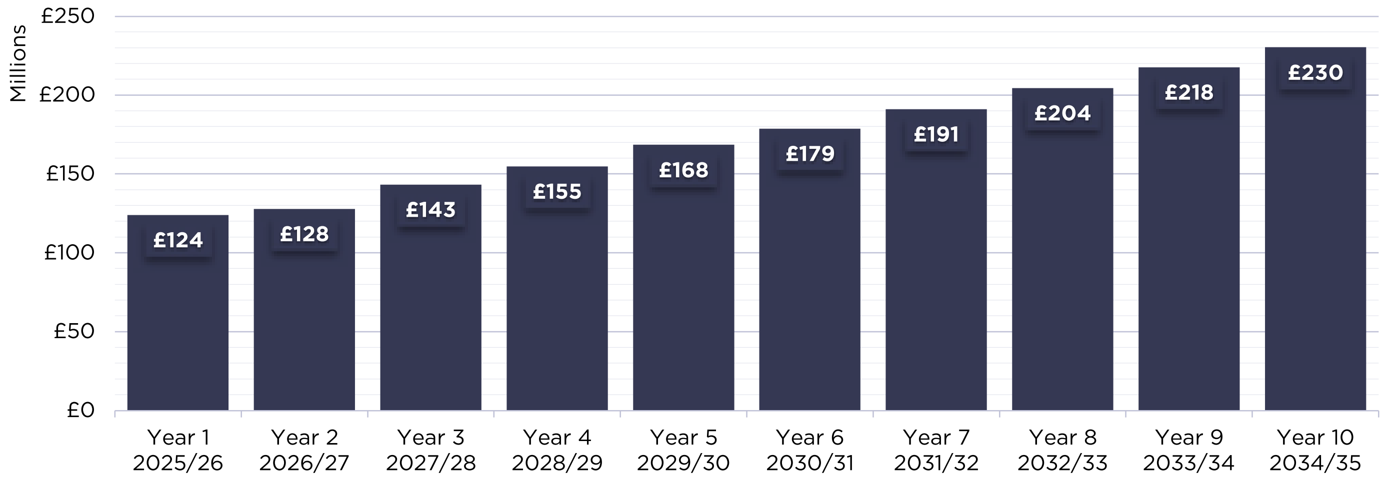
[7] *Due to the unique nature of the gearing covenant the ratios illustrated above are as per Rooftop's forward-looking analysis*

7.3.4. Gearing is at its highest in **Year 1 (2024/25)** of the Plan at a level of **46.4%**, which sits comfortably below Rooftop's Golden Rule (65%) and the 70% covenant threshold.

7.3.5. Gearing is then expected to come down steadily year-on-year, particularly from Year 2 as Rooftop's development programme winds-down post Year 3 and gross debt is projected to start to fall. Any changes to the development program in the coming years or increases to Rooftop's capital investment programme could affect gearing adversely.

7.3.6. Gearing headroom has been calculated under the most restrictive covenant definition and profiled over the initial **10 years** of the plan, the result of which is shown in the graph below:

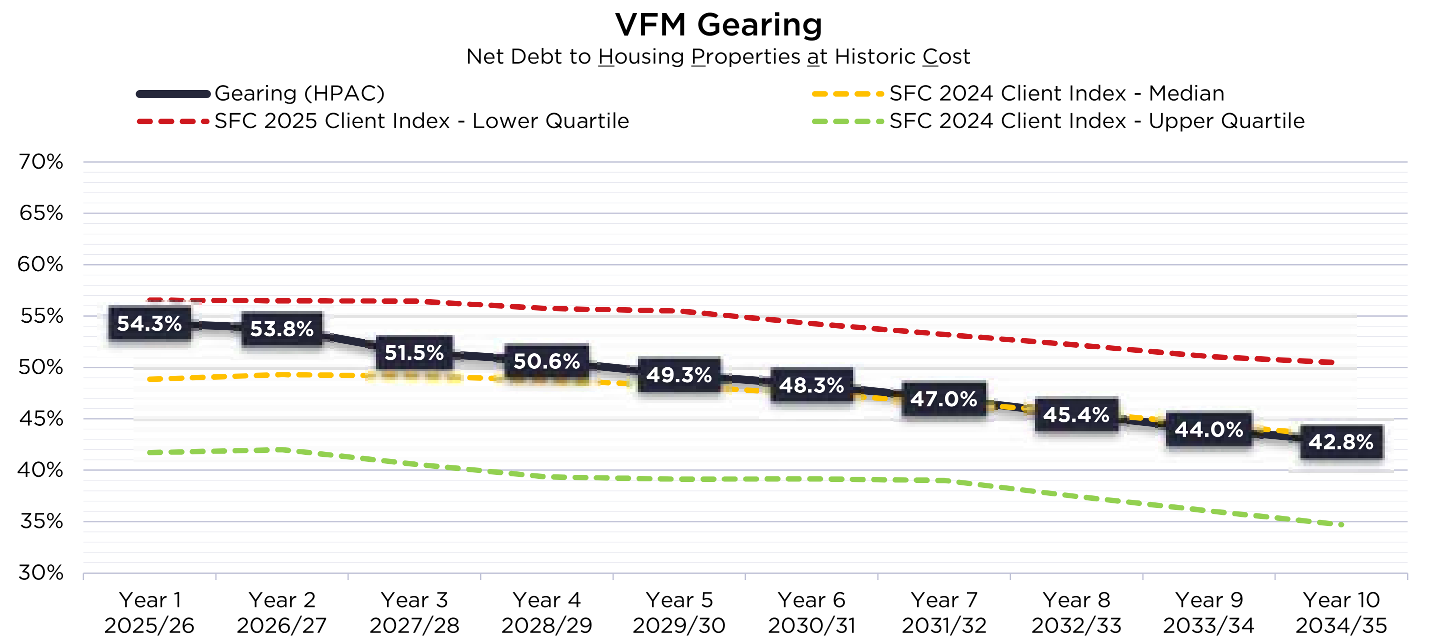
Gearing | Additional Debt Capacity
beyond the gross debt forecast in the business plan,
within the most restrictive covenant definition in any given year



7.3.7. It illustrates that additional borrowing of around **£124m** could theoretically be supported initially (over and above the requirements of the Plan), rising over time and reaching £251m by Year 10.

7.3.8. SFC continues to consider Rooftop's covenant suite as competitive in relation to what can be achieved in the current market place and no changes are proposed for the 2025/26 financial year.

7.3.9. For illustrative purposes, Rooftop's gearing projections of the **RSH's VFM gearing definition** (Housing Properties at Cost post depreciation) is shown in the chart below - it also includes a peer comparison against the performance of SFC's client index (based on c. 70 collated 2024/25 RP Business Plans – noting these are based on prior year plans):



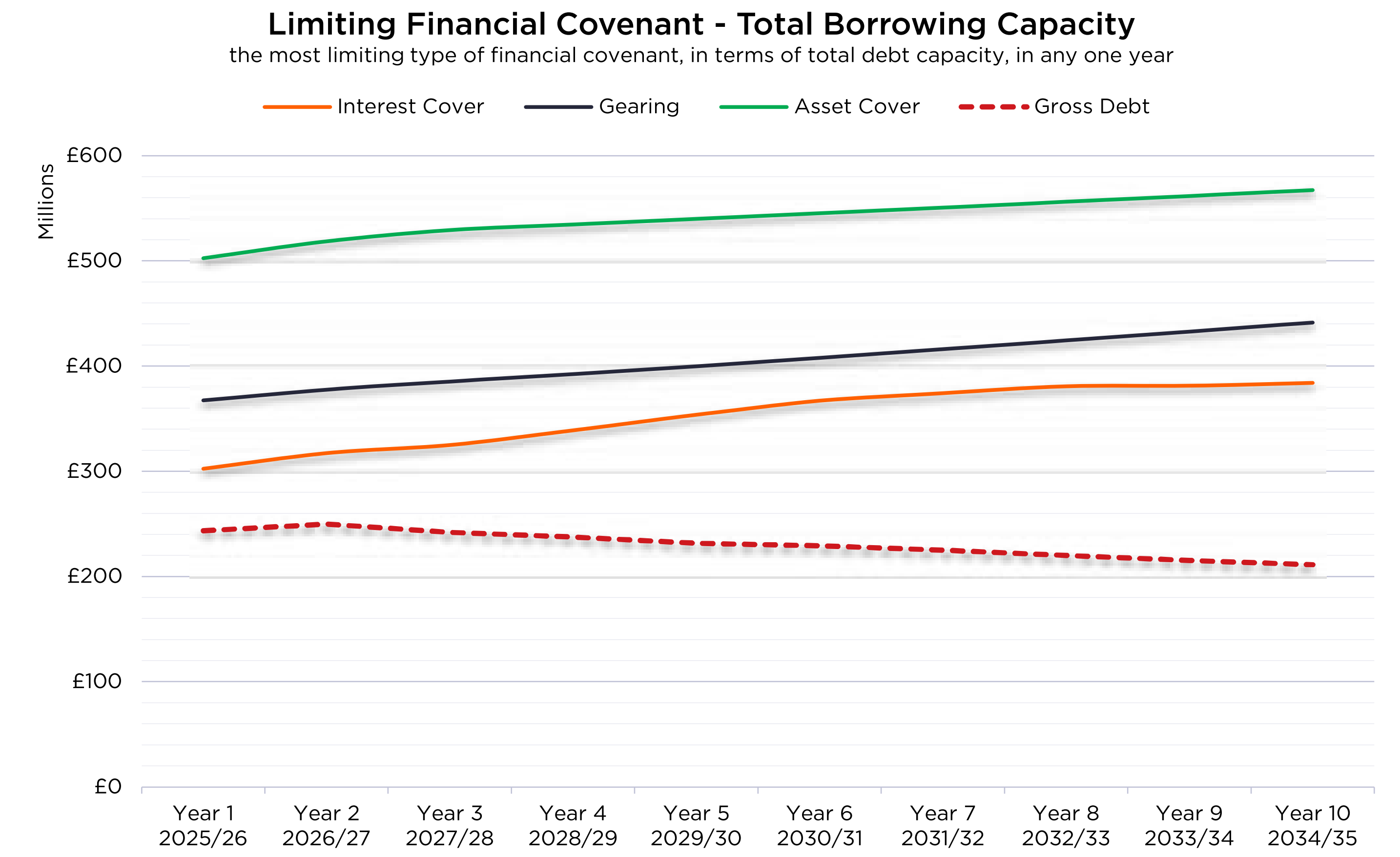
7.3.1. Whilst Rooftop sits close to the lower quartile in the early years of the Plan, it moves closer towards the median during the medium-term due to the lower projected levels of new borrowing (reduced development plans). If development was to be resumed post Year 3, this would impact the chart shown above and likely pull Rooftop back towards the lower quartile.

7.3.2. Whilst Debt per Unit is not included as a VFM metric and SFC does not record the data across its client base on a forward-looking basis, it is likely that Rooftop sits at the upper end of the range when compared to its peers.

7.3.3. SFC undertook some analysis in recent months that showed based on the 2023/24 year-end performance, Rooftop was the fourth-highest gearing organisation on a Debt per Unit basis across a sample size of 37 peer housing associations.

7.3.4. This forward-looking VFM HPAC analysis and backwards-look Debt per Unit analysis indicates that Rooftop has borrowed more debt relative to its size compared to its peers.

7.3.5. The overall indicative borrowing capacity held within each of the key covenants is illustrated below. It illustrates that despite the significantly more flexible covenants established with the banks, EBITDA-only interest cover remains the limiting factor over the coming years for Rooftop – but with a good level of theoretical borrowing headroom:



7.3.6. Interest cover capacity has been calculated by taking the interest payable headroom on Rooftop's most restrictive existing EBITDA-only interest cover covenant (Lloyds) and assuming a 5.25% debt replacement interest rate.

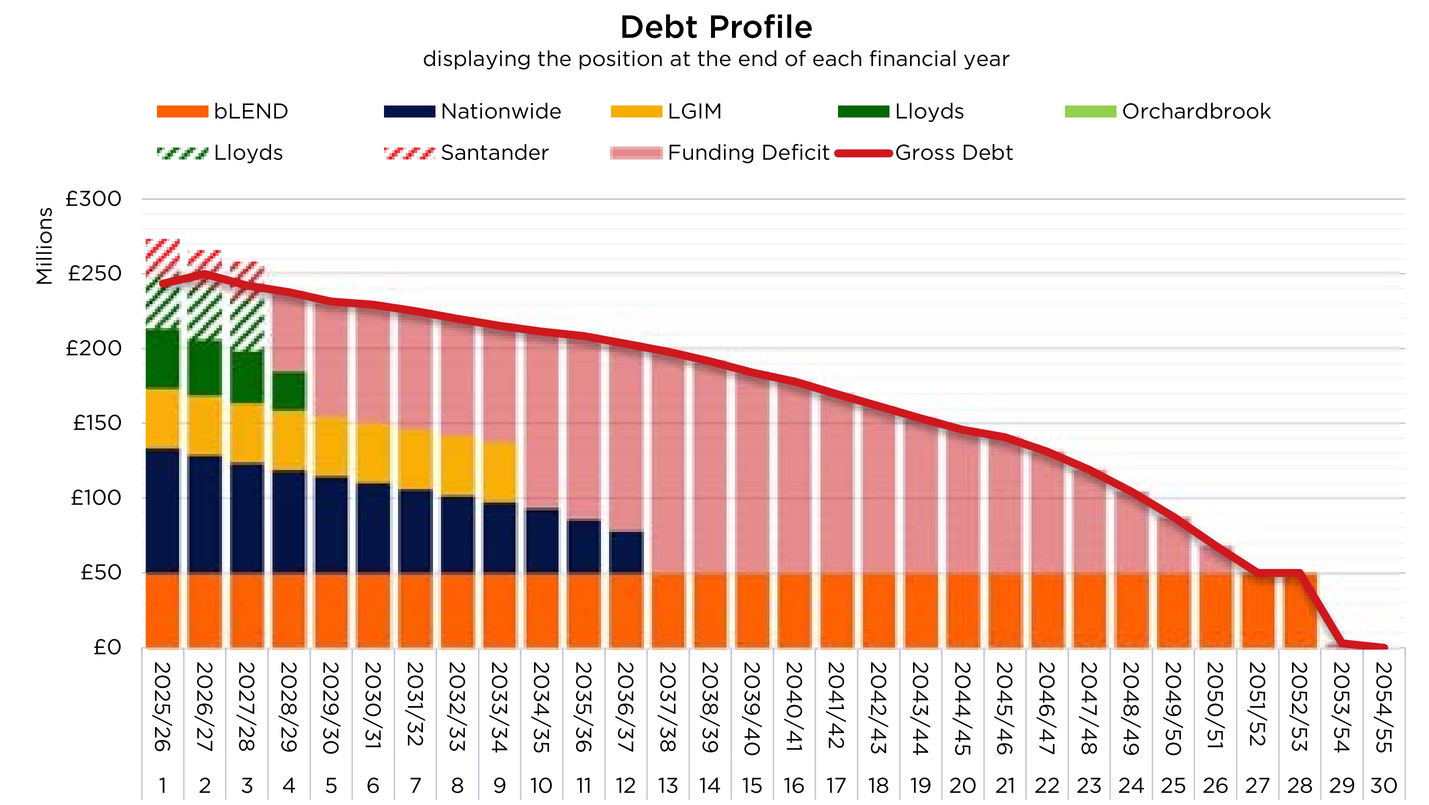
7.3.7. Whilst the chart above illustrates very comfortable levels of additional borrowing headroom within the financial covenant suite, in reality the **constraining factor will be the organisation's appetite for EBITDA-MRI interest cover levels moving forward**. Alongside this, the consequential impact of borrowing more on the organisation creditworthiness.

7.3.8. One way of assessing this more clearly is to undertake a **shadow credit rating assessment**, which SFC could support with, in order to illustrate the potential impact of additional borrowing/development on the organisation's credit standing and ability to borrow.

8. Funding Strategy

8.1. Debt Profile

8.1.1. The chart below is designed to illustrate the budgeted yearly debt profile under the latest Plan and how it is covered by the current funding commitments – noting that the Plan has been adjusted to remove theoretical future debt drawdowns and is modelled to maintain cash levels at a minimum:



8.1.2. Gross debt peaks at **£250m** in Year 2 (2026/27) and steadily declines thereafter as the development programme theoretically winds-down post Year 3. This represents a significant shift in relation to last Year's position (**£266.2m** in Year 3) and is driven by the removal of development beyond Year 3, despite the inclusion of additional stock investment. It is also supported by the newly included asset disposal programme over the first five years. The current loan facilities are expected to be repaid fully by Year 30 (2054/55) on a gross basis, which will be viewed favourably by prospective funders.

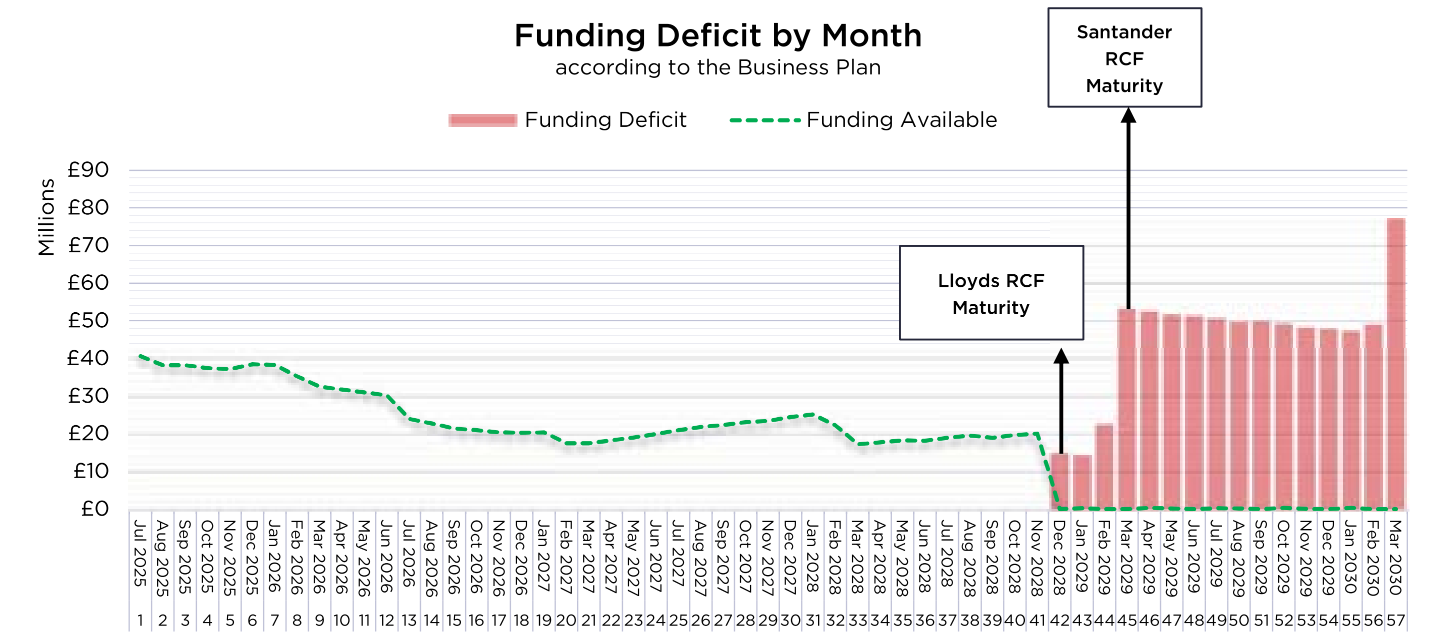
8.1.3. The chart shows a declining gross debt line mainly due to the short-term nature of the development programme. Rooftop is forecasting delivery of 362 new homes in the next three years according to the Group Plan, of which 118 are aspirational/uncommitted homes. Rooftop has not modelled any further development past this point, which then allows the business to gradually pay down the drawn debt position over time. This is a reduced development programme versus previous iterations of the annual business plan.

8.1.4. This year's Business plan now also includes firmer numbers for expenditure to reach EPC C, as well as Net Zero Carbon expenditure beyond 2030, which brings capitalised expenditure to c. £415m until 2050. Nevertheless, increases in rental income are expected to support growing yearly capitalised expenditure, which has also been assisted by a capital grant assumption associated with NZC as well as the assumed asset disposal programme, allowing **gross debt to be repaid by Year 29**. It is worth noting that any changes to the development plans or profile of investment in existing homes is likely to have a significant impact in the funding requirement and timeframe for gross debt repayment

8.1.5. The red shaded area of the graph above illustrates the unfunded requirement. This is the term used to describe when an organisation has committed funding that is less than, and for a shorter duration than, its funding requirement.

8.1.6. Rooftop's current funding arrangements cover gross debt business requirements through the first three years of the Plan, with both the Lloyds and Santander RCFs providing sufficient liquidity despite the increase in gross debt in Year 2. The funding deficit has been pushed back relative to last year because of the reduced development programme and increased asset disposal programme.

8.1.7. Based on these assumptions, the first funding need arises in **December 2028**, which coincides with the maturity of the Lloyds RCF (which has extension options). To illustrate this more clearly, the funding deficit projections on a monthly basis, for the next **5 years** of the Plan are illustrated below:

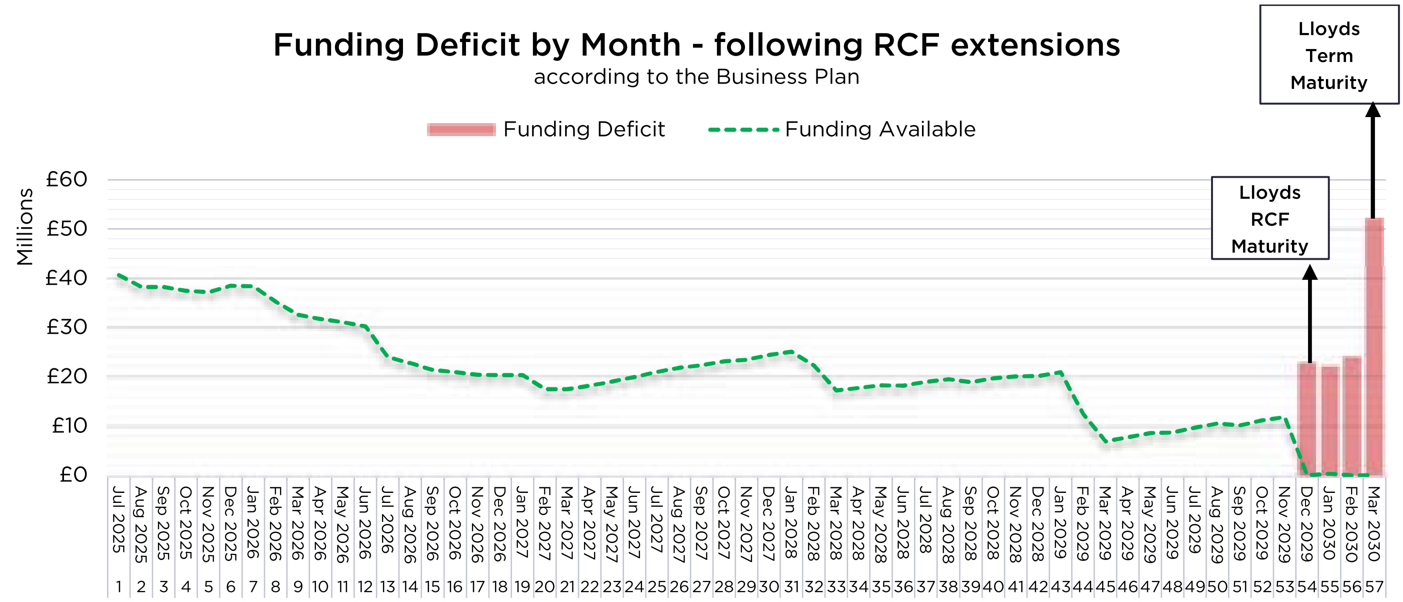


8.1.8. Based on the current projections and latest version of the Business Plan, Rooftop is estimated to have around <u>**41 months of liquidity**</u> before the first funding requirement – represented in the graph above. The TMP liquidity policy requires Rooftop to maintain **at least 18 months** of liquidity to cover the net cash requirements so Rooftop currently has a comfortable liquidity position. Note that for the purposes of Rooftop's liquidity policy projected asset sales income is cut by a third, which is not presented above.

8.1.9. As noted earlier, the two existing RCFs have extension options which allow Rooftop to request two 1-year extensions to the facilities. The first Santander extension is in process following successful negotiation in recent months, which will extend the existing maturity to March 2030.

8.1.10. **Following this process, SFC recommends that the second Santander extension option and first extension option with Lloyds are requested during this financial year and appraised relative to market conditions at the time.**

8.1.11. If all of these extension options are successfully implemented, this shifts the first liquidity requirement out to **December 2029** (53 months liquidity). This is shown in the monthly liquidity chart below:



8.1.12. This represents a very comfortable liquidity position over the next few years, supported by the limited development programme and therefore lower cash out-flow. The liquidity levels are also supported by the projected asset disposals.

8.1.13. Based on these levels of liquidity and the limited level of projected cash out-flow, there is no requirement for additional funds during this financial year.

8.1.14. Last year's strategy highlighted the need to procure longer-term fixed rate financing to term out the drawn RCF positions, extend the WAL of the portfolio and increase the interest rate risk protection. Seeking to extend the WAL of the portfolio will remain a medium-term objective and will be considered in more detail through next year's treasury strategy.

8.1.15. In the meantime, the expiring £25m Nationwide fixed loan will be considered later this year for re-fixing to allow for a level of additional interest rate risk protection. The decision will be presented to Board for approval closer to the time.

8.1.16. Rooftop can continue to utilise the flexibility afforded by the extended RCFs, drawing the loans as the cash-flow need arises and therefore minimising any cost of carry. SFC therefore **recommends that Rooftop continue to utilise its revolving loans to meet its liquidity needs ahead of considering the procurement of longer-term fixed rate funding during 2026 – given:**

- the flexibility they afford to manage drawdowns and deal with delays in committed spend
- the relative pricing of long-term options in the current market
- the current high levels of protection against interest rate risk (particularly given the option to re-fix the £25m Nationwide loan)
- and current consensus that variable rates are likely to continuing falling over the next year

8.1.17. Next year's ATS will explore the longer-term financing options in more detail but SFC expects that the following key routes will be targeted to deliver fixed rate funding **with maturities of at least 10 years** and with an **indicative funding need of £25 –£40m**:

- Affordable Homes Guarantee Scheme (government-guaranteed aggregator)
- Medium-term bank term loans (inc. retrofit funding)
- THFC, bLEND, MORHomes (aggregators)

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Appendix 1 | Market Update (Attached Separately)

Appendix 2 | Glossary of Funding and Treasury Terms

Agent	Organisation that puts a loan together usually on behalf of a syndicate of lenders
All-in interest rate	The total amount that is paid on the amount drawn expressed as a percentage payable annually. This includes the underlying base rate of interest, the interest margin, and any associated interest costs. It is comprised as follows: cost of funds (see below) + MLAs (see below) + margin (see below).
Amortising	A loan or interest rate swap that has an agreed repayment attached to it as opposed to a bullet repayment that is fully repaid at the end date.
Annuity	A loan that is repaid by reference to an "annuity formula" that derives an annual or monthly repayment that includes both loan capital and interest. Usually applied to a repayment mortgage.
Arrangement fees	Payable to the lenders as an up-front fee based upon a percentage of the amount to be made available.
Asset cover	The ratio of the valuation for loan security purposes to the projected drawings at a specified time. Funders typically expect that this figure, expressed as a percentage, so, to be greater than 110%.
Base rate	Interest rate set by the Bank of England. Also referred to as "Official Bank Rate"
Basis point	0.01%. Often abbreviated to Plan and used to express margins and NUFs e.g., 50 (0.5) or 135bp (1.35%).
Basis swap	A standalone swap swapping one basis of payment under Libor with another e.g., pay 3-month Libor and receive 1 month Libor 9plus a premium as appropriate). Used to match underlying loan obligations.
Break cost/(gain)	The cost (or benefit) to redeem a fixed rate loan before its final maturity date
Bonds	Tradable (can be bought and sold) fixed rate loan
Bullet	A loan or interest rate swap that is repaid in full at the maturity date
Callable/ Cancellable Swap	Where the lender has the right (but not obligation) to request a fixed rate revert to variable rate on a specific date
Cap	An agreement that sets an upper limit to which the variable interest rate the Company pays can rise. The cost of a cap is usually paid in advance as a premium.
Charges	The legal pledges of assets to lenders as security. These can either be fixed charges, over specific assets, or floating charges, over the business as a whole. In the case of a winding-up the holders of fixed charge security are repaid before the holders of floating charges.
Collar	Combines an upper limit (cap) with a lower limit (floor) for variable interest rates. The levels of the cap and floor can be set so that no premium is payable.
Commitment	The total loan that a lender has made available to the Company (whether drawn or not).
Cost of carry	The cost of carrying or holding a position. In the capital markets it is the difference between the interest generated on a cash instrument and the cost of funds to finance the position.
Cost of funds	The rate of interest that the lender is paying on the money that is on-lent to the Company.
Coupon	The face rate of interest payable on a bond
Counterparty	A financial institution with whom you transact e.g., a bank
Covenants	Conditions in the loan documentation that will have to be met by the Company. Although they will include a wide range of issues, they include the financial covenants and ratios, which set out targets for the Company's performance.
CPI	Consumer Price Index - a measure of changes in the price level of a basket of consumer goods and services purchased by households. Movements in CPI represent a rate of inflation. This is sometimes referred to as headline inflation and is the inflation measure that will (from April 2015) be used to set rents and is the measure that is most used by the government and professional economists.

CSA	Credit Support Annex The section of ISDA swap agreement that sets out the security arrangements for the swap
Derivative	A transaction whose value depends on the value of an underlying asset, reference rate or index. Common derivatives are swaps, caps and collars.
Drawings	The total amount of the available loan that has been used. This is sometimes known as the drawn amount. Compare with the undrawn amount, which is the amount available, but not yet used.
EUV or EUV-SH	Existing Use Value or Existing Use Value – Social Housing A valuation that is derived using a discounted cashflow of the future cashflows of an organisation – effectively the value of the stock if purchased by another social landlord
Facility	A loan where the borrowing does not have to be taken all at once at the start. A facility will normally allow several years to draw the loan down in full.
Financial instruments	Collective term used for financial packages e.g., equity (shares), loans or others such as SWAPS.
FCA	Financial Conduct Authority – the organisation responsible for overseeing the Financial Services Industry
Fixed Charges	Legal pledges of assets to lenders as security for a loan. In Scotland this takes the form of a Standard Security.
Fixed Rate Loan	A Loan that has its interest rate fixed for a specific period of time. E.g., 10 years. Defined as a minimum maturity of 12 months.
Fixed interest rates	Rates set for a specified period, which will remain constant during the period of the fixing. They are readily available for periods of up to ten years and can often be obtained for longer periods if desired. Fixed rate funding is usually made available by the lender entering into an interest rate swap.
Floating charge	Legal pledge of all assets owned by the association which ranks after any fixed charges in place. Often taken as a "lightweight floating charge" so that it may be enforced by a lender only in certain special circumstances e.g., insolvency.
Forward rate	Interest rate agreed today that will start on a specified date in the future – used regularly with fixed rates e.g., where fixed rates are increasing it might be prudent to fix at a future date now, rather than risk a market spike in the future.
Gearing	Relationship between shareholder funds and debt for associations usually defined as grants plus reserves to debt or historical costs to debt.
Gilts	Bonds issued by the government to borrow from the markets. The return that borrowers earn on these bonds is known as the yield. The yield for a particular maturity of gilt is used as a benchmark for fixed interest rates.
GDP	Gross Domestic Product is one of the primary indicators used to gauge the health of a country's economy. It is defined as the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.
Hedge Accounting	A method of accounting where entries for the ownership of a security and the opposing hedge are treated as one. Used to reduce the potential volatility in reporting hedging instruments in statutory accounts.
Hedging	Techniques that are employed to limit risk.
IFRS	International Financial Reporting Standards – International accounting reporting standards that are due to be implemented in 2015.
Index-linked funding	Loans where the rate of interest is linked to the rate of inflation.
ISDA	International Swaps and Derivatives Association.
ISDA Agreement	A standard legal agreement governing interest rate derivative transactions published by ISDA.
IAS	International Accounting Standards

Inflation swap	An interest rate swap where the rate payable is determined by reference to the annual inflation rate (generally September RPI to match rent increases). This can either be on a “year on year” basis where inflation is added to an agreed “coupon” to get the annual rate of interest, or it can be a cumulative rate uplifted annually by inflation to match the rental stream.
Interest cover	An annual or quarterly financial test where the lender sets a minimum proportion whereby the net income available to service debt must exceed the interest on loans.
Interest margin	The margin payable over and above the base rate of interest (fixed or variable) set by the lender and representing the profit element on the loan.
Liquidity	Reference to the amount of cash or near cash 9e.g. overdraft, revolving credit or secured but undrawn loans) that you have available at any one time.
LSVTs	Large Scale Voluntary Transfer (of council housing stock)
Mandation	The formal appointment of the lenders.
Margin	That part of the all-in interest rate that represents the lender’s profit.
Money Laundering	Process whereby money derived from illegal activity is made to look legitimate
Money Market Fund	A pooled investment fund that adheres to strict liquidity rules and as such are deemed to attract a AAA rating.
MTM	Mark to Market This is a term used for the valuation of an interest rate swap; effectively the breakage cost of the swap based on the difference between current market rates and the original rate on the transaction.
MV or MV-T	Market Value or Market Value subject to Tenancy A value base on the open market value but discounted to reflect the tenancy/occupation.
NHF	National Housing Federation
Non-utilisation Fees	Also known as Commitment Fees. The amount a lender charges on loans arranged but not drawn because it has to cover the cost of holding the loan available but not drawn. Usually around half the level of the margin.
Option	The right but not the obligation.
Prepayment penalty	Amount that has to be paid if a loan is repaid before a certain date
Repayment profile	An agreed schedule that sets out the amount of capital (principal) that must be repaid by a certain date. The repayment profile or schedule is usually built into the loan agreement and sets out either amounts of debt to be repaid or percentages or the original amount borrowed.
Refinancing risk	The risk that the Company will be forced to raise new loans at a time that is disadvantageous.
Re-set Risk	The risk of a high proportion of fixed rate debt maturity at any one point in time where rates may be high
Renewable / Extendible facilities	Loans where the original repayment date can be extended with the agreement of the lender. Because the lender always has the option to refuse a requested extension, such facilities carry an inherent refinancing risk.
Revolving facility	A facility that can be drawn, repaid and subsequently drawn again. It works much like an overdraft.
Rollover periods	The period for which LIBOR rate is agreed; this can be any period but is usually 1,3,6,9 and 12 months.
RPI	Retail Price Index - a measure of the general level of prices. Movements in RPI represent a rate of inflation. This is the inflation measure that will (to March 2015) be used to set rents.
Security	Assets that are charged to the lenders who will be free to sell, or use them in some other way, to obtain the repayment of their loans in the case of default.

Security Trustee	The entity holding the various security interests created on trust for the various creditors, such as banks or bondholders. This structure avoids granting security separately to all creditors which would be costly and impractical.
Sensitivity analysis	A technique that is used to identify strengths and weaknesses in financial models. It involves changing one assumption, whilst leaving all others unchanged. It is sometimes called what-if analysis.
SLIC	Social Letting Interest Coverage captures the ability of the surplus from the low-risk social housing letting landlord business to cover net interest expense. This metric reflects the ability of the core operations to service interest payments on debt. Revenues from social rent less social rent expenditure divided by net cash interest paid (cash interest paid net of interest income received).
SONIA	SONIA (Sterling Overnight Index Average) is the underlying rate administered by the Bank of England which has succeeded the outgoing LIBOR as the market standard interest rate benchmark in the UK. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
Swap	An agreement between two parties whereby one agrees with the other to exchange the obligation to make variable interest rate payments for the obligation to make fixed interest rate payments. These are derivative instruments that are traded on the London money market. Swap prices are freely available from Reuters. Lenders will use swaps to convert variable rate funding into fixed rate finance to on-lend to the Company.
Syndicate	A group of lenders that have formed into a group to provide the loans.
Tap issue	Where an issuer of a bond undertakes an additional issue under the same bond structure allowing investors to advance more funds.
Term loan	A loan that is repayable in line with an agreed repayment profile and where the money repaid is cancelled and not able to be drawn again.
Terming out	Where a revolving or short-term loan is converted into a long-term loan.
Valuation for loan security purposes	An independent valuation that is prepared for the lenders who are advancing loans. It is generally calculated using either a EUV-SH or MV-T basis of evaluation.
Variable Rate Loans	Loans with interest rates that vary in line with the basis set e.g., Base Rate/SONIA