

Agenda Item 5.2

REPORT TO GOVERNANCE, FINANCE AND STAFFING SUB-COMMITTEE

20th OCTOBER 2022

SUBJECT: COVENANT COMPLIANCE TO 30TH SEPTEMBER 2022

PREPARED BY: G. WATSON, FINANCE MANAGER

Purpose of report

This report informs the Management Committee of the Associations compliance with our banking covenants, as set out in our loan agreements with the Triodos Bank.

A Covenant is a condition of a loan that lender uses to monitor a borrower's performance during the period covered by the loan.

The covenants are reviewed annually to ensure compliance and monitored quarterly.

Covenants Update

Yorkhill Housing Association Ltd is complying with all of its loan covenants with Triodos Bank as at 30th September 2022.

However, committee should be aware that given the current economic environment and inflation increases above the rent increase, additional pressure has been placed on covenant compliance.

The Finance Manager recently met with Triodos to update the bank on this year's budget projections and monitoring of covenants.

Triodos Bank confirmed previous years compliance would be taken into consideration and the Association catch up program with repairs was standard across the sector.

A budget review will take place in November 22 to ensure full compliance at 31/03/23.

Recommendation

1. The Management Committee is asked to note the Association's compliance with its banking covenants to 30th September 2022 as per the Management Accounts.

TRIODOS LOAN COVENANT REPORT

Triodos Covenants at 30th September 2022

The Association will satisfy the loan covenants with Triodos as at 30.09.22

1. Interest Cover

The interest cover ratio is the measure of the Association`s ability to meet its interest payments:

Operating Surplus	38,486
Add back depreciation of housing properties	257,685
Add back gain/deduct loss on disposals of properties	0
Deduct amortisation of public sector grant	-142,932
Deduct Payments towards deficit	-49098
Adjusted Operating Surplus	<u>104,141</u>
Interest Payable	13,977
Interest Receivable	-613
Net Interest payable	<u>13,364</u>
Interest Cover	7.79
Covenant	1.1

2. Debt Service Cover

The debt service coverage ratio is the ration of cash available for debt servicing to interest, principal and lease:

Adjusted Operating Surplus	104,141
Net Interest Paid	13,349

Loan Repayments	12,748
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	26,097
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DSC	3.99

3. Asset Cover

Asset Cover shows that the valuation of properties cover the loan balances outstanding.

Bank Indebtedness	858,057
Security Cover MV-T	2,250,000
Asset Cover	2.62
Covenant	1.25