

## **Clyde Valley Housing Association Ltd**

4 April 2012

This Regulation Plan sets out the engagement we will have with Clyde Valley Housing Association Ltd during the financial year 2012/2013. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### **Regulatory profile**

Clyde Valley was established as a registered social landlord (RSL) in 1995 to take over houses being transferred from Scottish Homes. It owns and manages around 2,830 houses and it provides factoring services for a further 2,910. It employs around 53 staff and its turnover for the year ended 31 March 2011 was £11 million. It has charitable status and has one non-registered subsidiary, Clyde Valley Property Services Ltd. Clyde Valley is keeping under review the contribution of this subsidiary to the Clyde Valley Group.

Clyde Valley continues to be a large developer of social housing and has received a significant amount of public funding. It has received subsidy for 476 homes between 2011/12 and 2013/14 and it successfully bid for three projects from the Scottish Government's Investment and Innovation Fund which will provide properties for social rent.

It plans to play an active role in future development opportunities and is examining potential new funding models. It is currently in discussion with the Scottish Government about proposals and has kept us informed of progress. We will liaise with both Clyde Valley and the Scottish Government regarding regulatory requirements relating to proposals.

Clyde Valley currently has a high level of private debt and a high level of debt per unit. Its 30-year business plan shows this debt being serviced and repaid over that period. We have had constructive discussions with senior staff about its financial capacity to deliver on its development and other investment activities including its Scottish Housing Quality Standard (SHQS) obligations. Clyde Valley's treasury management arrangements include free-standing derivatives (FSDs) and we have also been liaising to gain continued assurance from it about any effect that these might have on its financial position.

We gained assurance from our financial assessment but will continue to engage with Clyde Valley as necessary throughout the year to be satisfied on an ongoing basis about its continued financial capacity and viability in light of its planned development and investment activities.

We visited Clyde Valley in November 2011 to verify the information it submitted to us in its APSR. We were unable to verify most of the indicators we looked at.

### **Our engagement with Clyde Valley Housing Association – Medium**

In the light of Clyde Valley's development and investment activities we will have medium engagement with it in 2012/13.

1. Clyde Valley will:
  - send us an action plan by the end of April setting out how it will address the issues raised by our visit to verify the 2010/11 APSR data;
  - send us its 30 year financial projections, including cashflows, sensitivity analysis and covenant calculations once approved by its lenders;
  - continue to send us a copy of its quarterly FSD reports to Board; and
  - keep us informed at key stages of progress with its innovative funding proposals.
  
2. We will:
  - provide feedback on the verification action plan in May;
  - carry out a follow-up verification visit following submission of the 2011/12 APSR return;
  - provide feedback on financial projections;
  - liaise with Clyde Valley to understand and feedback any regulatory issues relating to its innovative funding proposals; and
  - meet senior staff in quarter three to discuss progress with its business strategy and the challenges and risks faced by the business.
  
3. Clyde Valley should alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
  - audited annual accounts and external auditor's management;
  - letter loan portfolio return;
  - five year financial projections; and
  - annual performance and statistical return.

This plan will be kept under review and may be changed to reflect particular or new events. The engagement strategy set out in this plan does not restrict us from using any other form of regulatory engagement to seek additional assurance should the need arise. Our regulatory framework and other relevant statistical and performance information can be found on our website at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Clyde Valley is:

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We have decided what type of engagement we need to have with this organisation based on information it provided to us. We rely on the information given to us to be accurate and complete, but we do not accept liability if it is not. And we do not accept liability for actions arising from a third party's use of the information or views contained in the Regulation Plan.