

Clyde Valley Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Clyde Valley Housing Association Ltd (Clyde Valley) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Clyde Valley was registered as a social landlord in 1995 to take ownership of houses being transferred from Scottish Homes. It owns and manages 2,992 houses and provides factoring services for a further 3,246. It employs around 46 staff and its turnover for the year ended 31 March 2013 was £13.4 million. It has charitable status and has one non-registered subsidiary, Clyde Valley Property Services Ltd.

During 2013/14 we reviewed the financial information we received from Clyde Valley and gained assurance about its financial capacity to deliver on its development and other investment activities. Clyde Valley's treasury management arrangements include free-standing derivatives (FSDs) and we have also been liaising to gain continued assurance about any effect that these might have on its financial position.

Clyde Valley has a commitment from Scottish Government for substantial public funding for development projects which will deliver up to 600 properties for social and mid market rent as well as for sale across its area of operation. Clyde Valley will therefore continue to play a very active role in future development opportunities and has established a Joint Venture company (Clyde Valley Network) to do this. We will liaise with Clyde Valley regarding any regulatory requirements and it will keep us informed as projects progress.

Clyde Valley is a member of the Scottish Housing Associations Pension Scheme (SHAPS). It used specialist advisers to inform its decisions about future options and from 1 April 2014 the final salary defined benefit scheme and CARE 80ths will be closed to all current and future staff. Staff will all have access to the SHAPS defined contribution scheme.

Our engagement with Clyde Valley– Medium

In light of Clyde Valley's investment and development activities and because of its FSDs we will have medium engagement with it in 2014/2015.

1. Clyde Valley will send us by the end of July 2014:
 - its approved business plan including commentary on the results of sensitivity tests and risk mitigation strategies;
 - 30 year projections consisting of the income and expenditure statement, balance sheet and cash flow, covenant requirements and calculation of loan covenants for both the RSL and its subsidiary and the related Board reports; and
 - sensitivity analysis which looks at the key risks such as arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases.

2. Clyde Valley will also send us;
 - from the end of August 2014 onwards quarterly management accounts for the RSL and its subsidiary and the related Board papers;
 - at key stages, updates on progress with Clyde Valley Network including financial projections; and
 - its treasury management reports to its Board, including updates on its FSDs.
3. We will:
 - provide feedback in quarter two on the financial information we receive;
 - meet the Chair and senior staff in quarter two to discuss its overall financial capacity and viability in light of its development, investment and subsidiary activities and the impact of these on Clyde Valley's financial position; and
 - liaise with Clyde Valley to understand any regulatory issues relating to its joint venture company.
4. 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
 - the Annual Return on the Charter.

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.

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.