

Clyde Valley Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Clyde Valley Housing Association Ltd (Clyde Valley) during the financial year 2015/16. 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 (RSL) in 1995. It owns and manages 3,056 houses and provides factoring services for a further 3,254. It employs around 53 people and its turnover for the year ended 31 March 2014 was £12.4 million. It has charitable status and has one unregistered subsidiary, Clyde Valley Property Services Ltd which carries out commercial and other activities including development projects and factoring services, and owns mid-market and low cost home ownership properties.

During 2014/15 we reviewed the financial information we received from Clyde Valley to gain assurance about its financial capacity to deliver its development and other investment activities. Clyde Valley's treasury management arrangements include free-standing derivatives (FSDs) and we have also been liaising with it to gain continued assurance about any effect that these might have on its financial position.

Currently Clyde Valley is taking the opportunity to review its governance arrangements and the structure of the leadership team and will keep us informed of the outcome.

Clyde Valley is one of the largest developers of new affordable housing in Scotland and continues to receive significant public funding to help achieve this. Clyde Valley has a commitment from Scottish Government for substantial public funding for development projects which will deliver over 400 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.

Clyde Valley has established a joint venture company, Innov8 Housing Solutions Ltd (Innov8), to deliver some of its developments. We have reviewed the agreements for the venture as well as the business plan and financial projections and gained the assurance we need about Clyde Valley's exposure. The joint venture project will start work on two small projects for mid-market rent shortly and Clyde Valley will keep us informed as these projects progress.

Our engagement with Clyde Valley– Medium

Given the scope and complexity of its development, subsidiary and joint venture activities and its treasury management arrangements, we will have medium engagement with Clyde Valley in 2015/16.

1. By 31 August 2015, Clyde Valley will send us its:
 - approved business plan for both it and its subsidiary including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections for both it and its subsidiary consisting of income and expenditure statement, balance sheet and cash flow, including

- calculation of loan covenants and covenant requirements;
- sensitivity analysis which looks at 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 and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board for it and its subsidiary in respect of the 30 year projections and sensitivity analysis.
2. Clyde Valley will also send us:
- from the end of October 2015, half yearly management accounts for the RSL and its subsidiary and related Board papers;
 - at key stages updates on progress with Innov8 including financial projections; and
 - quarterly from April 2015, treasury management reports to the Board including updates on its free standing derivatives (FSDs).
3. We will:
- provide feedback on the business plans and financial information we receive for Clyde Valley in quarter three; and
 - meet the Chair and senior staff in quarter three to discuss its overall financial capacity and discuss 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.