

Clyde Valley Housing Association Ltd

14 February 2018

This Regulation Plan sets out the engagement we will have with Clyde Valley Housing Association Ltd (CVHA) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

CVHA was registered as a social landlord (RSL) in 1996. It owns and manages around 3,392 homes and provides factoring services for a further 3,312 owners. It employs around 48 people and has charitable status. As at 31 March 2017 CVHA's turnover for the year was £15.66 million and its debt per unit was £25,880.

It has one unregistered subsidiary, Clyde Valley Property Services Ltd (CVPS), which carries out commercial and other activities including development projects and factoring services. CVPS owns mid-market and low cost home ownership properties and is also a partner in a joint venture, Innov8 Housing Solutions Ltd (Innov8), which owns 50 mid market rent properties.

Systemic importance

We refer to a small number of RSLs as systemically important because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate; how they manage the risks they face and the impact these risks may have. So we seek some additional assurance through our regulation plans. Given CVHA's level of debt we consider it to be systemically important.

Engagement

During 2017/18 we reviewed progress with CVHA's Corporate Strategy, 2020 Vision (2015-2021) and associated financial information. We met the new Chief Executive and Chair as well as the Board and the Leadership Team to discuss and give feedback on this information. We discussed recruitment plans for the Board and Leadership Team as well as CVHA's refinancing plans to facilitate its development programme. We also discussed the further work CVHA is doing to review its five year rental strategy and consider affordability. We gained assurance about its continued strategic direction and financial capacity to deliver its objectives, development plans and other investment activities.

CVHA is one of the largest developers of new affordable housing in Scotland and continues to receive significant public subsidy to help achieve this. CVHA plans to continue to grow through a considerable programme of new homes for social rent and some mid market rent.

We have been engaging with CVHA about its acquisition of a 24 unit site for new build social rented properties. CVHA commissioned an independent investigation into the site acquisition and this identified some issues which needed to be addressed in respect of its development procedures. CVHA appointed consultants and has now almost concluded its review of procedures.

CVHA's treasury management arrangements include free-standing derivatives (FSDs) and through our engagement during the year we also gained assurance about how these are managed, monitored and reported to Board.

Our engagement with Clyde Valley Housing Association Ltd in 2017/18 – Medium

We will engage with CVHA because it is systemically important and to gain assurance that any findings from its review of development procedures are addressed.

1. CVHA will:
 - confirm completion of the development procedures review and provide a copy of the report;
 - confirm that all issues highlighted in the independent investigation and procedural review have been addressed and considered by the Board;
 - continue to keep us informed at key stages in its refinancing plans; and
 - send the investment and asset management reports presented to the March 2018 Board.

2. CVHA will also continue to send us:
 - its Board, Audit and Finance Committee minutes as they become available;
 - notification of any change in treasury management policy or Board reporting arrangements relating to Treasury issues and FSDs including details of any additional security required to manage the mark to market position of them;
 - notification on any issues arising within CVPS which may have a legal or financial impact on CVHA; and
 - quarterly management accounts and the associated Board reports for CVHA and Clyde Valley Group.

3. We will:
 - review the Board, Finance and Audit Committee minutes and management accounts;
 - provide feedback on the investment and asset management reports;
 - liaise as necessary around its treasury management arrangements; and
 - liaise as necessary to understand any regulatory issues relating to its joint venture company.

4. CVHA 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 financial statements and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections;
 - Annual Return on the Charter; and
 - the return on the Energy Efficiency Standard for Social Housing.

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 Housing Association Ltd 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.