

Clyde Valley Housing Association Ltd

31 March 2017

This Regulation Plan sets out the engagement we will have with Clyde Valley Housing Association Ltd (Clyde Valley) during the financial year 2017/18. 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 1996. It owns and manages 3,250 homes plus 5 shared ownership properties and provides factoring services for a further 3,298 owners. It employs around 42 people and has charitable status. As at 31 March 2016 Clyde Valley's turnover for the year was £16.9 million and its debt per unit was £23,374.

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 midmarket rent properties and is seeking to develop more.

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 Clyde Valley's debt we consider it to be systemically important.

Engagement

During 2016/17 we reviewed progress with Clyde Valley's Corporate Strategy, 2020 Vision (2015-2021) and associated financial information. We gained assurance about its continued strategic direction and financial capacity to deliver its objectives, development plans and other investment activities.

Clyde Valley'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.

Clyde Valley is in year two of a five year rent agreement and this will be reviewed in the course of 2018/19. The current rental strategy was subject to a three month consultation using a survey developed in conjunction with the Customer Panel. It was aimed at agreeing service levels and ensuring outgoings matched an affordable rent.

The Chief Executive left the organisation at the end of September 2016 and the new post holder has been in place since February 2017.

As part of our annual risk assessment we have also considered CVPS and Innov8 and their role in delivering CVHA's development and service delivery plans. Our requirements in relation to them are included in this plan.

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

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

We will engage with Clyde Valley because it is systemically important and because of its substantial development programme, subsidiary and joint venture activities and its more complex financial instruments.

1. Clyde Valley will send us by 30 June 2017:
 - details of any review of Clyde Valley Group (CVG)'s business and management plans, including their plans for delivering new social and mid-market rent homes;
 - 30 year financial projections for Clyde Valley and CVG consisting of statements of comprehensive income, of financial position and of cashflows;
 - a comparison of projected financial performance against revised covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with the risk register and risk mitigation strategies;
 - long-term financial projections for Innov8 consisting of development plans, statements of comprehensive income, of financial position and of cashflows; and
 - reports to the Board of Clyde Valley in respect of the above.
2. Clyde Valley will send us:
 - from April, and as they become available, copies of the Board, Finance and Audit Committee minutes;
 - notification of any change in treasury management policy or Board reporting arrangements relating to Treasury issues and free standing derivatives (FSDs);
 - details of any additional security required to manage the mark to market position of the FSDs; and
 - notification on any issues arising within CVPS which may have a legal or financial impact.
3. Clyde Valley will send us by 31 August 2017 and quarterly thereafter:
 - quarterly management accounts for Clyde Valley and CVG;
 - the associated reports to the Board; and
 - updates on progress with development plans.
4. We will:
 - meet the Chair and the new Chief Executive in April 2017;
 - review the Board, Finance and Audit Committee minutes;
 - meet the Board and senior staff before the end of September 2017 to discuss the business plans and the financial information provided, progress with development plans, its overall financial capacity and viability in light of its systemic status, development and subsidiary activities and the impact of these on Clyde Valley's financial position;

- liaise as necessary around its treasury management arrangements; and
 - liaise as necessary to understand any regulatory issues relating to its joint venture company.
5. 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 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:

Name: Janet Dickie, Regulation Manager
Address: Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF
Telephone: 0141 242 5550

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.