

Clyde Valley Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Clyde Valley Housing Association Ltd (CVHA) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

CVHA was registered as a social landlord in 1996. CVHA currently owns and manages 3,392 homes and provides factoring services to 3,312 owners across three local authority areas. It has charitable status and employs around 48 people.

CVHA has one unregistered subsidiary, Clyde Valley Property Services (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.

As at 31 March 2017 CVHA's turnover for the year was just under £15.7 million and its debt per unit was £25,880.

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, and how they manage the risks they face and the impact these 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 and associated financial information. We met the 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 its plans to review its asset management strategy and the further work to review the 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.

During 2017/18 there has been significant change at Board and Leadership team level. One new member joined the Board in September 2017 and two co-optees in October 2017. CVHA has also recently concluded recruitment to the key posts of Director of Finance and the Customer Services Director.

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 and mid market rent. During 2017/18 CVHA reviewed and updated its development 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 2018/19 – Medium

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

1. CVHA will:
 - send us copies of the investment report, revised asset management strategy and the covering report to the Board by 30 April 2018;
 - keep us informed at key stages of its refinancing plans;
 - send us copies of its Board, Finance and Audit Committee minutes as they become available;
 - send us a copy of the report to the Board covering the annual treasury policy review; and
 - provide details of any additional security required to manage the mark to market position of the FSDs.
2. CVHA will also send us by 30 June 2018:
 - its Group Corporate Strategy and approved business plan;
 - 30 year financial projections for CVHA and Clyde Valley Group (CVG) consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
 - quarterly thereafter, copies of management accounts.
3. CVHA will also send us by 30 September 2018 evidence of how it demonstrates affordability for its tenants.
4. CVHA will send us an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme. This should include a copy of the report to the Board.
5. We will:
 - provide feedback on the asset management strategy by 31 May 2018;
 - review the minutes of the Board, Finance and Audit Committee meetings and quarterly management accounts;
 - meet the Board and Leadership team by 30 November 2018 to discuss the Corporate strategy and business plan updates and supporting financial

- information, progress with development plans, rental strategy and rent affordability work and any risks to the organisation;
- liaise as necessary around its treasury management arrangements;
 - liaise as necessary to understand any regulatory issues relating to its joint venture company; and
 - review CVHA's development update in quarter three of 2018/19.
6. 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:

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.