CLYDE VALLEY GROUP

Business Plan 2021/22

The Clyde Valley Group Brands

CLYDE VALLEY GROUP	**Clyde Valley Group** Formed in 2006, the Clyde Valley Group is the overarching brand for the various strands of the business.
CLYDE VALLEY HOUSING ASSOCIATION	**Clyde Valley Housing Association** Clyde Valley Housing Association is the Group's parent company and also main operating company and was established in 1996. It sets the Group's overall direction and growth strategy and oversees Group performance. It delivers housing management services to all residents, as well as asset management and responsive repairs services. It also delivers central support services. Clyde Valley Housing Association is a Registered Social Charity.
CLYDE VALLEY PROPERTY SERVICES	**Clyde Valley Property Services** Clyde Valley Property Services is the Group's subsidiary property company. It provides homeowner services and delivers services under the three distinct brands below. Clyde Valley Property Services is a Company limited by Shares.
CLYDE VALLEY FACTORING	**Clyde Valley Factoring** Clyde Valley Factoring provides property factoring services to homeowners.
CLYDE VALLEY LETS	**Clyde Valley Lets** Clyde Valley Lets provides property letting services including residential letting.

Registered Office
Clyde Valley Group
50 Scott Street
Motherwell
ML1 1PN
FCA Registration Number - SP2489RS
Scottish Housing Regulator Number - 291
Scottish Registered Charity - Number SC037244

Overview

Clyde Valley Group (CVG) continues to grow, and we now own 4173 homes and provide factored services to more than 3300 owners. We are proud that people see us very much as a local and regional landlord and employer.

The Group's activities cover principally North Lanarkshire, South Lanarkshire, with further work and new homes in partnership with East Dunbartonshire. There are 2 principal companies in the Group:

- **Clyde Valley Housing Association Limited**
  The Group parent

- **Clyde Valley Property Services Limited**
  Its commercial property company (and wholly owned subsidiary of CVHA).

At 31st March 2021 the Group owns and manages 4173 properties and provides services to 3,300 factored homeowners.

By 2025 we will be providing a service to around 8500 homes. CVG wants every member of its team to realise their potential, so we can meet future challenges, spot opportunities and deliver something exceptional for our customers.

Clyde Valley Housing Association (CVHA) is a Registered Social Landlord (RSL) and charity and we want to achieve the right balance of investing in new and existing homes and services with offering our customers great value for money at a price they can reasonably afford. We recognise the pressures our customers face and intend to manage rent increases over the next 5 years in discussion with them. However, we also know that some of our customers struggle to meet their housing costs and this is not just about rent; it is about the cost of fuel and running costs, council tax and other bills and we need to understand and make sure our customers get the right support to deal with this and design and improve homes that are increasingly energy efficient.

During 2020 CVG launched their new 5-year Corporate Strategy and the 4 supporting strategies – Customer Experience Strategy, People Strategy, Digital and SmartThink Strategy and Investment and Growth Strategy. This Business Plan outlines the key financial plan aligned to the deliver on these strategies and the key outcomes for the coming year. This plan should be read in conjunction with these key strategies:

Corporate Strategy

Customer Experience Strategy

People Strategy

Digital and SmartThink Strategy

Investment and Growth Strategy

Economic Context and our Plan

This Business Plan has been set at a time of unprecedented uncertainty and whilst the overall financial strength of CVG is strong and has remained strong during this period we have to be more mindful of the longer-term impact of the pandemic not only on our customers but also on our developers, suppliers and contractors.

The Covid pandemic had a major impact worldwide and relevant to us on the UK Economy. The UK Government introduced a Job Retention Scheme to allow employers to place staff on Furlough to avoid redundancies and to ensure businesses could trade again as before when restrictions where lifted. This means the full impact of unemployment and therefore challenges for customers to pay their rent might not fully materialise until the scheme comes to an end in October 2020.

This Business Plan assumes a much greater sense of normality during 2021/22 and does not expect the restrictions which slowed down/prevented construction and repairs and maintenance programmes during 2021/22. The plan considered the maintenance not carried out during 2020/21 will be completed alongside the programme for 2021/22 bringing the programme back on track by March 2022.

We will continue to monitor closely our cash both in terms of rental and factoring income collection but also in terms of keeping abreast of delivering on our Asset Management Strategy. Our rent collection has remained strong, and we will continue with our actions to collect our rent and our objective to help our customers maximise their income during these challenging times.

Despite the pandemic we continue with our plans to grow and as we continue to grow, we set ourselves the challenge of keeping our costs down, increasing how efficient we are and increasing productivity throughout the business. We will build on our strong foundations with excellent governance to manage the risks whilst strengthening our skills in managing and harnessing change.

Much is changing for our customers and for the housing sector, the Scottish Government is encouraging us all to think as far ahead as 2040. There are significant challenges in achieving a carbon neutral Scotland by 2045, addressing poverty and inequality, growing numbers of older people and single households, health needs, homelessness and the rapid development of new technology in all areas of life. Clyde Valley Group will make it our business to understand customers' and employees' changing needs and expectations and address these key issues. This means that strong leadership, resilience and creativity will be essential. We aim to be an RSL exemplar in working closely and effectively with our local authorities and other partners and this we think this will be more critical than ever before.

Our current Business Plan has been developed with what we know and have outlined in our 5-year Strategy, however there are several areas of focus within CVG that are being researched and developed further which will impact our plan going forward. These will be aligned to affordability across the plan and will aim to limit future borrowing except for borrowing for new build where possible. Some of these had been outlined below:

- Zero Carbon Targets and (Green) Sustainability Strategy
- Option appraisals for Low Demand stock mainly for Douglas
- LSVT 'cosmetic' improvement costs in the light of the pilot scheme completed;
- Void property standards
- Future housing design quality and Tech Charter – retrofit and new build (including use of smart technology, adaptations)

- Scale and costs of new build programme, modern methods of construction
- Income generation opportunities including Clyde Valley Lets and Housing for Sale
- Innov8 (due to end 2025)
- Other Market Opportunities (acquisitions).

Our financial plans set out how we intend to fund our activities, ensure that we meet our lenders' financial covenants, make rents and services affordable and deliver value for money. Our plans identify our future borrowing needs that will allow us to deliver our programme for new homes and continue to invest in our existing homes and other assets. We test out our financial plans so that we know we can deal with any risks.

As one of Scotland's top five biggest RSL developers. Our ambitious plans mean we will provide another 831 new homes by 2024, utilising investment of £55m. We intend to continue to seek funding to build new homes every year after 2024 and to drive efficiency in build costs as well as maximising community benefits.

We will be doing more work on the future design of both our new and our existing homes, so we future-proof homes to support people to remain in their home throughout life changes, as they age, as their mobility reduces and to improve quality of life and can better deal with conditions such as dementia. Energy efficiency will be a key focus as we build on our pilot work using non fossil fuels.

Our thriving subsidiary, Clyde Valley Property Services will play a vital part in extending our reach to offer quality services and new homes across tenures to improve affordability and housing standards for the benefit of our regional housing market - from mid-market rent to growing our Clyde Valley Lets offering to additional Private Landlords.

CVG's growth and ambitions mean we will continue to make a significant contribution to reducing homelessness across our region and to play our part in realising ambitions for wider social and economic regeneration. Our intention is to focus on our localities and remain the key strategic RSL partner in Lanarkshire and East Dunbartonshire, maximising and strengthening our wider social impact.

Exceptional customer service and continuous improvement has been the focus of the Group. In August 2017, our Customer Service Excellence full 3-year accreditation was awarded for the second time and following our 2020 review we increased our compliant plus areas from seven to ten and delivering on our Customer Experience Strategy outlined in 8.2 of this plan will strengthen our service delivery model and we will continue to be assessed for this framework.

1. Purpose of the Business Plan

1.1. The purpose of this 30 Year Business Plan (hereinafter referred to as 'the Plan') is to:

- Set out the Clyde Valley Group's (CVG) objectives and how these will be achieved using 2021 as a base year
- Demonstrate the commitment of the parent Board to the content
- Meet the requirements of the syndicated loan agreement
- Demonstrate to lenders and other primary stakeholders, the cash flows predicted by CVG
- Illustrate the Group's ability to service debt finance and repay capital sums within agreed covenant ratios
- Illustrate a clear understanding of the Group's operating environment, its potential impacts and implications for the Plan, incorporating appropriate stress testing through sensitivity analysis.

1.2. The Plan illustrates that:

- There is sufficient cash flow in the model to operate the business.
- The activities generate sufficient cash flow to support current and planned activities.
- The Group can repay all its £76m syndicated finance debt with a short refinancing period of £30m in 2032 repaying in 2038 and has adequate cash to repay the £70m private placement in 2050 at maturity and the end of the plan.
- The Group can service debt throughout the period of the Plan.
- The Plan generates a surplus at the end of the 30 -year period.

1.3. Section 10 Financial Management deals in detail with all aspects of finance and appendices 1-3 contain full details of projections.

1.4. In summary this plan presents a 30-year projection based on prudent business assumptions, detailed asset management and other information which illustrate a robust financial position for the group building on a track record of success to date.

1.5. What makes us different?
The range of services and products that we offer, our depth of expertise, regional partnerships, networks and our customer focus make us a uniquely flexible and reliable provider.

1.6. Valuing our people

- Important to our success is the involvement and commitment of our customers, who are actively engaged in helping scrutinise and improve performance through a range of activities and groups as outlined in our **Customer Engagement Strategy** (which forms part of our overall Customer Experience Strategy).

We are fortunate to have highly skilled executives and the expertise of the Executive Team (Chief Executive and Executive Directors) and the trustees/non-executive directors (or Board Members), encompass a broad range of experience in the public, private and third sectors. We continue with annual appraisal for our Board using an external independent advisor to assist. We develop annually a training and development plan for our Board following the August Annual Appraisals the delivery of this is underway.

With around 80 members of staff, high levels of engagement, training and development are our priorities and we have maintained our increased investment in staff development for 21/22. In December 2020 we held our virtual “star awards” event recognising employees across CVG for the outstanding contribution they make. These staff were voted for by their colleagues and an external panel made up of Board and customer panel members selected the final winners.

In 2020 we achieved our Gold Healthy Working Lives Accreditation. We are focussed not only on the performance of our staff but their overall wellbeing. We launched our new People Strategy during 2020 as well as recruiting a People Director to focus on the delivery of this strategy and continued to invest in additional staff resource to provide the right skills and capacity to deliver the strategy and in line with our growth projections.

We grew our Business Improvement Team from one to four and are delivering our ambitious change programme of digital and customer experience.

2. Current Vision and Strategic Objectives

2.1. From Vision to Ambition

Our **Corporate Plan to 2025** sets out our values, strategic themes and ambitions for the CVG.

Our Vision

Our vision is to provide high quality homes and services that make a difference to peoples’ lives and to their communities.

We will always make a difference to people –from a life changing new home to making it easier and quicker to pay rent or get repairs online. Our reach and impact in communities and our role in place-making across Lanarkshire and East Dunbartonshire will continue to grow – whether we have preserved a much loved school in the centre of Larkhall or set up a new service to help private landlords let their property. We will be measuring our social impact upon neighbourhoods and communities as well as satisfaction and efficiency in delivering our core landlord services.

This is our purpose and our mission and we are passionate about it.

Our Values

Our values are important to us and underpin everything we do. We have made sure our values are actionable so we can show how we live them every day through our behaviours inside and outside Clyde Valley Group. What is more, our customers can take it for granted that we can be trusted and will be respectful, honest and open and inclusive.

“BE all about customer”

Customers are our first priority and they drive everything we do and how we do it. This means we will make sure we know our customers well, do the right thing, and always deliver on our promises.

“BE ambitious”

CVG and our people continue to grow and we will always be ready for any opportunity as long as it benefits our customers. We will support customers to realise their ambitions too.

“BE driven by excellence”

Our CVG team is relentless about doing better for customers, learning and focused on improving performance, doing more for customers and reducing customer effort.

“BE caring”

Most importantly we’re people centred, will listen and support customers and each other. We care about getting it right for customers and some of our team members are customers themselves.

Together we make *the* difference.

Great teamwork matters and we’ll work together in enjoying what we do and making life easier for customers and ourselves.

Strategic Themes

The strategic themes reflect the scale of the Group’s ambitions and our potential to achieve them.

1.	**Providing a brilliant customer experience, delivering service excellence**
2.	**Addressing housing need and offering services across all tenures**
3.	**The leading RSL partner to create sustainable homes and communities**
4.	**Focused on value for money and excellent governance as a growing and sustainable business**
5.	**Aim to be the best housing association employer, committed to developing employees to realise their potential**

2.2. Figure 1 below illustrates the overarching strategies which are in place to ensure that ambitions are achieved and are at the core of all that we do.

Figure 1 – CVG Corporate Plan and Supporting Framework

Corporate Plan		
30 Year Business Plan		
Activity Plans (Service and Individual)	Value for Money Statement and Performance Report	Asset Management and Growth Strategy
Corporate Social Responsibility Strategy	Customer Experience and Engagement Strategy	Equality Strategy

People Strategy	Digital and SmartThink Strategy ICT Delivery Plan	Marketing and Communications Strategy
Procurement Strategy	Risk Management Strategy	Treasury Management Strategy

2.3. In establishing the Corporate Plan, the focus has been on making a clear connection between the activities and the contribution of the individual (Board, staff, customer and partners), and the strategic direction and focus of the Group over the 5-year period.

2.4. There are a number of operational tools which link to the Corporate Plan and some of these include:

- Service Activity Plans
- Individuals Activity Plans
- Action and Improvement Plans
- Training and Development Plans
- Value for Money Statement
- Performance Management Framework
- Risk Management Strategy and Registers
- Key Performance Indicators; and
- Benchmarking activities

2.5. The Corporate Strategy sets out our strategic direction and ambitions towards 2025. However, business planning, management and assurance processes can respond to a volatile and uncertain business environment, which is likely to continue.

3. Partnerships

3.1. We are open to opportunities to work with other forward-thinking organisations and explore new partnerships or strategic alliances. Opportunities will be considered if they potentially offer substantial benefits for customers and create financial gains to underpin the delivery of service improvements and efficiencies and more affordable homes.

3.2. The Group shares best practice with housing association partners through:

- Our RSL forum, G8, which consists of Almond Housing Society, Clyde Valley HA, Fife Housing Group, Glenoaks HA, Irvine HA, Thenue HA, Maryhill and West of Scotland Housing Associations.
- The Lanarkshire Voluntary Housing Forum, which is a collective of 10 local registered social landlords.
- Our membership of the Scotland’s Housing Network (SHN) which is a consortium of local authority and housing association landlords working together to drive up performance, meet the demands of Best Value and deliver quality services by means of benchmarking, peer review, good practice exchange and information sharing.
- Our work with Housemark across the housing sector to annually benchmark value for money.

3.3. We have regular partner liaison with local authority representatives across housing and other services and actively represent RSLs in both North and South Lanarkshire in Local Housing Strategy groups. The CEO is a member of the North Lanarkshire Health and Social Care partnership. We also work closely with East Dunbartonshire Council on building new homes.

3.4. A key strategic relationship for the Group is the one we enjoy with our two lenders, forming our lending syndicate of Lloyds Banking Group and Barclays. We meet at key strategic intervals with the syndicate and on an annual basis to cover our on-going corporate strategy and business planning. We also welcomed Canada Life in 2018 as our new Private Placement investor.

3.5. The Group recognises that our operating environment even without a pandemic is characterised by change and uncertainty. The past few years have seen unprecedented volatility in the economy including financial and housing markets. A view of the affordable housing operating environment in 2021 suggests several significant challenging factors as well as opportunities including:

- Scottish Government - Housing to 2040
- Delivering Scottish Government's target of building new homes and meeting the ongoing shortfall in the supply of new affordable homes
- Delivering tenancy sustainability and rent affordability in the context of the impact of wider poverty, Universal Credit and other welfare benefit reductions, greater impact on higher number of customers because of pandemic
- Climate change and a carbon neutral Scotland by 2050, improving energy efficiency standards for social housing including achieving EESSH2 by 2025, and reducing fuel poverty
- The delivery of current EESSH 2020
- Increased need for effective treasury, cash flow and cost management
- National and local government continued austerity measures
- Increased regulatory focus on rents and demonstrating affordability, with pressures on customers' income
- Use of modern methods of construction and innovation in the quality and design of new homes to meet changing household needs
- Need and demand for increasingly modern, flexible, online services
- Maintaining and delivering on value for money in everything that we do
- Our contribution to effective health and social care and addressing demographic change including meeting the needs of an increasingly elderly population
- The introduction of smoke and heat alarms in the tolerable standard in the Housing Scotland Act
- Delivering Housing First and Scottish Government's ambition to eradicate homelessness, including 5-year Rapid Rehousing plans to end the use of temporary accommodation
- Meeting the ongoing demands of regulation including the new SHR Framework, GDPR and FOISA
- The rapid development of new technology and online services and how different customer experiences in other areas of life have changed the ways that they want to receive services and get involved
- The increasing number of RSL Strategic Partnerships and mergers.

3.6. Our strengths in challenging times

3.6.1. The Board and Executive Team have carried out a detailed assessment of the environmental impact on the business and have taken robust steps to manage and mitigate risks. The Board sets out its **Risk Appetite Statement** in through the strategic lens of its Corporate Strategy.

3.6.2. Each year we publish our **Value for Money Statement** to inform customers of our work in this regard, which is issued alongside our **Annual Performance Report**.

3.6.3. There has been a clear focus on seeking to identify innovative models of funding and opportunities specifically in relation to intermediate renting. CVG was successful in securing funding from the Scottish Government's Innovation and Investment Fund in 2011, establishing **Innov8 Housing Solutions Limited** which delivered mixed tenure new supply housing on a number of sites in pressured housing markets.

3.6.4. The Board continues to engage in strategic growth discussions as both Parent and Subsidiary Boards. This work is focusing on growth and diversification within the context of drivers for change, socio economic pressures, and geographic and spatial pressures/opportunities.

3.6.5. Listening to our customers makes a real difference. The Group has embraced the new SHR Regulatory Framework and has continued to seek engagement with customers during the year to establish customer satisfaction levels, and to understand more fully customer priorities. Our dedicated Customer Scrutiny Panel continue with their fantastic work. The Panel completed scrutiny projects focused on Rent Arrears and most recently on Customer Service. Their scrutiny, feedback and recommendations are invaluable in driving improvements in service delivery. The Panel is comprised of tenants and homeowners who meet monthly and is supported by CVG staff and by the Tenants Information Service (TIS) when required.

3.6.6. Our **Corporate Social Responsibility Strategy** also allows us to be proactive and ultimately provide a competitive advantage both externally, through protecting company reputation and internally through employee engagement. During 2021 CVHA will support St Andrews Hospice as its chosen staff charity. Staff will also use volunteer days to benefit St Andrews Hospice if restrictions of the pandemic allow.

3.7. Our competitive advantage

3.7.1. The Clyde Valley Group is strongly positioned to make the most of opportunities as they arise, despite the impending changes and impacts. We have:

- A track record of successful service delivery with excellent local knowledge, and well-established, strong relationships and partnerships with local authorities, funders, regulators and developers.
- Organisational capability and capacity to take advantage of development opportunities. We are expanding on our organisational capacity during 2021/22 and beyond to allow us to fully deliver on our promises.
- Geographic and service diversity.
- Strong housing stock asset base of £375m net of depreciation at the end of year 5 in the plan. At the end of the next 5 years over 80% of total stock will have been built by CVG since 1998 and located in areas of sustainable housing demand.
- Strong internal structures and systems, delivering high levels of service to customers through our feedback to customers and meeting the requirements of the Scottish Social Housing Charter and the new Regulatory Framework.
- An innovative, committed and resourceful team of staff and Board members.

- A growing partnership and strategy with customers to make sure resources focus on doing what matters to them and that our activities produce the right outcomes, based on a strong value for money framework.
- An evolving approach to continuous improvement and leadership, based on the principles of listening to customer demand, getting it right first time and giving staff closest to customers the skills and power to change our systems.

4. Risk

4.1. As with all successful businesses we adapt and change what and how we do things in response to unforeseen events and periods of difficulty, whatever the cause. Recognising, controlling and managing risk has always been a critical consideration in our approach to good governance. It is a central feature of our day to day management and operations and is core to Board discussions, as well as audit and strategic planning.

4.2. The Group has its well-developed **Risk Framework** detailing internal controls and risk management procedures. Our risk registers are reviewed regularly by the Executive and Management teams, with the Board and Audit Committee exercising robust and thorough oversight of these.

4.3. This Plan takes account of all known risks and positions us well to successfully tackle any perceived risks that may subsequently materialise for the Group. We have recently introduced a target risk to our framework which will allow us to focus on actions to further mitigate risks where required.

5. Our Performance

5.1. The Clyde Valley Group seeks to measure performance in a number of ways and on a regular basis and we have a robust **Performance Management Framework** in place. This helps to build a rounded picture of our strengths and weaknesses, identify trends over time and allows us to address opportunities for improvement.

5.2. Some of the methods used to measure performance include:

Method		Reported
Individual Activity Plans for all staff, linked to above.	→	Monitored at staff monthly 1-1's.
Key Performance Indicators (KPIs)	→	Reported quarterly to Board.
Strategic Risk Registers	→	Reported to Board bi-annually and Audit Committee quarterly.
Operational Risk Registers	→	Monitored by Executive and Management Team members through meetings and 1-1's.

Method		Reported
Complaints Monitoring	→	Reported to Board and Committees quarterly. Also reported to customers quarterly.
Independent Customer Feedback	→	Reported to Board and Committees quarterly. Also reported to customers quarterly.
Customer Satisfaction Survey	→	3 yearly survey reported to Board. Annual pulse surveys and immediate text surveys following repairs being carried out.
Internal Audit Programme	→	3 year rolling programme with reports and findings reported quarterly to Audit Committee.
Customer Panel Action Plan	→	Reports to Board for consideration.

5.3. The Group also looks beyond the organisation for learning and development including:

- Membership of the Scottish Federation of Housing Associations representing most RSLs in Scotland as the national voice, working with members to lobby and influence at political level, promote RSLs, and share good practice. CVG's Chief Executive is a Board Member of SFHA.

5.4. How are we doing?

At the end of each financial year, we produce our **VFM and Performance** report which is a culmination of performance against targets for the year, along with an overview of any changes or refinement to services as a result of customer feedback.

6. Management and Monitoring Arrangements

6.1. Regulation

6.1.1. Our independent regulator - the Scottish Housing Regulator (SHR), regulates under 200 social landlords of which circa 160 are RSL's and 32 Local Authorities, representing some 610,00 homes, 40,00 people who may be homeless and 123,000 owners who receive social landlord services.

6.1.2. The SHR's statutory objective is to safeguard and promote the interests of current and future tenants of social landlords, people who are or may become homeless, and people who use housing services provided by registered social landlords (RSL's) and local authorities.

6.1.3. SHR's current Corporate Plan 2019-22 sets out their refreshed objectives for the period, identifying what they will do over 5 key areas:

- Empowering Tenants and others

- Getting assurance
- Acting when we need to
- Carrying out Thematic work
- Promoting equality & human rights.

6.1.4. SHR each year publishes **Engagement Plans** which outlines their level of engagement which depends on the level of assurance that they require.

6.1.5. CVHA is currently considered an RSL of **Systemic Importance**. SHR 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. SHR need to maintain a comprehensive understanding of how systemic RSLs' business models operate and the risks they face, so they seek some additional assurance through their engagement plans. Our classification as one of around 23 RSLs of Systemic Importance is based upon the level of debt held by the Group.

6.1.6. As part of the new Regulatory Framework RSLs are required to submit an Annual Assurance Statement from the Board confirming that they meet the Standards and Requirements or what they are doing to fix any instances of material non-compliance. There is also a requirement to notify the Regulator of any material changes in the level of assurance during the year.

6.1.7. In 2019 SHR introduced a requirement for all RSL's to produce and submit an Annual Assurance Statement. During 2020 we worked with the Board to prepare the Annual Assurance Statement for the second year and used lessons learned from year 1 process and submission. This was submitted as complying with the standards. There is a requirement to advise SHR if this changes throughout the year and this is considered as each Board meeting. We will follow a similar exercise for 2021.

6.1.8. Establishing a robust set of internal control systems has always been front of mind with the Group and our work in continuing to develop other forms of self-regulation will stand us in good stead. Significant review work has also been undertaken and is ongoing in response to the SHR's revised Regulatory Framework and this has all been aimed at ensuring the highest levels of governance for the Group and developing a robust governance and assurance framework.

6.2. **Subsidiary Company Monitoring**

6.2.1. Clyde Valley Property Services Limited (CVPS) is a company limited by shares and Board Directors are governed under the Companies Act. The Clyde Valley Group has an **Independence Agreement** in place which details the relationship between the Parent and the Subsidiary Company; the responsibility of the Parent for setting policies and strategies for the Group and controlling its operation; and the framework within which the Subsidiary Company must operate. Assurance is given by:

- Submission of CVPS Business Plan
- Agendas and minutes of all CVPS Board meetings to the Parent Board.
- On-lending monitoring.
- Devolved budget monitoring and reporting.

6.2.2. The Board have identified key areas for growth and diversification, which are aligned to the Group's Corporate Strategy and will focus predominately on the growth of the Private Lettings business during 2020 and beyond.

7. Key Operational Objectives

7.1. The following section details targets and activity across the Group's Directorate functions linked to the Corporate Strategy and the 4 Supporting Strategies for the year ahead.

7.2. Customer Services Directorate

Customer Experience

During 2021/22 we will continue to focus on delivering on our Customer Experience strategy including continuing to develop and deliver excellent customer services.

Significantly, with a growing customer base, redesigning how we deliver services for the longer term to meet their changing needs is critical. During 2021/22 we will continue to deliver our Customer Experience Strategy, including introduction of new customer service standards, a customer contact centre and a new customer relationship management (CRM) system.

We are designing services in collaboration with our customers and we will seek to ensure that service design places the customer at the centre of all that we do.

We will increase the opportunities for customer feedback to drive priorities and quality by carrying out transactional customer surveys and annual pulse surveys.

We will work to achieve and continuously improve our Customer Service Excellence Accreditation.

We will increase and promote our digital offer to customers based on their wants, needs and expectations.

We will continue to conduct independent monitoring of customer services and ensure that we publish results as part of our Value for Money Statement and Annual Performance Report to customers.

Customer Engagement

Our Customer Experience Strategy includes our Customer Engagement Strategy and we will be delivering actions to broaden and deepen customer engagement throughout the life of this plan. Our Customer Engagement Strategy and action plan is based on our participation in the Scottish Government's Next Steps programme during 2019, supported by the Tenant Information Service. This brought together customers, board members and colleagues from across CVG through a number of workshops where current and future approaches to engagement were discussed. An Action Plan was produced which will be delivered through the Customer Engagement Strategy.

We will continue to support our Customer Panel to deliver scrutiny projects, provide feedback and develop action plans.

Sustaining Tenancies and Preventing Homelessness

During 2021/22 we will continue to focus on dealing with the impacts of the Welfare Reform Act 2012 and the full rollout of Universal Credit, as well as the impacts of the COVID-19 pandemic on our customers and their income. Much of our income is derived from social rents, with a significant number of our tenants currently in receipt of Housing Benefit or Universal Credit. Additional support is being offered to those customers affected by changes to the benefits system and this will continue to ensure all income is maximised for customers and CVG. Through ongoing discussions with local authority partners, other social housing providers, professional bodies and lenders we seek to be proactive in sharing knowledge and good practice and have developed good working relationships with the Department for Work and Pensions.

As part of our work on Universal Credit, there is a significant commitment and incentive for us to manage the transition to full UC effectively and ensure accurate customer profiling is in place. We will continue to work to raise customer awareness and provide practical advice and assistance to our tenants.

We are committed to working with our Local Authority partners to increase our contribution to the Homelessness agenda supporting the delivery of Rapid Rehousing Transition Plans.

We will continue to work with Barnardos and NLC on the delivery of the Forever Homes Project focused on providing settled and permanent accommodation for care experienced young people.

We will continue to build partnerships that will benefit our customers and communities, such as our partnership with Routes to Work in North Lanarkshire, which is focused on employability, income maximisation and sustainability in all aspects of our customers' lives.

7.3. Finance and Corporate Services Directorate

Financial Management

We will continue to manage and utilise our current new lending facility, achieving growth for the CVG and ensure there are adequate covenant controls in place.

We will ensure effective financial management, across planning, control, compliance and reporting.

We will continue to engage with our lending syndicate, Canada Life and the Scottish Housing Regulator ensuring that all regulatory and statutory requirements are met.

We will review our Treasury Management and work with the Board to consider further borrowing to build additional homes beyond our current programme.

Governance, Performance and Risk

We continue our commitment to effective performance management, service excellence and continuous improvement. We will continue to implement our Performance Reporting Framework for the Board and ensure that these are consistent with the requirements of the Scottish Housing Charter and Scotland's Housing Network (SHN).

We will continue to deliver our Board Governance Excellence Plan. We will continue to support and provide challenge to Board members through the training and development programme developed following the annual appraisal in August 2020 with delivery underway. We will also ensure that all statutory internal and external requirements for governance are met.

Working with the Board we will continue to build on our Self-Assessment programme and review and rigorously assess ourselves against the Regulatory Framework in advance our deciding our assurance level for submission of our Annual Assurance Statement for 2021.

Further developing our Business Continuity and Crisis Management Plans ensuring it remains robust and fit for purpose, including addressing the emerging impact of the coronavirus pandemic and develop further our Business Impact Assessments for all areas of the business.

We embark on a new 3-year internal audit programme following discussion with our Audit Committee and during 2021/22 will complete internal audit for Asbestos, EESSH, Health & Safety, IT Systems Review, VFM, GDPR & FOI and our HR Systems.

Digital and SmartThink Strategy

Having launched our Digital and SmartThink Strategy during 2020 and in turn our IT Delivery Plan we will delivery on the objectives agreed by the Board during 2021/21. The key areas of focus for the coming year are:

- Development and Implementation of our Customer Experience Management System and Customer Portal
- Continue on our cloud based journey which we embarked on in 2020
- Introduction of a new performance management and risk system
- Further developing our use of mobile technology to support efficient and agile working
- Integration of our Repairs system providing a more automated way of working
- We will continue to implement our improvements to prevent risk of cyber-attack.

7.4. Investment Directorate

During 2020/21 our delivery of new homes was impacted by the Covid 19 pandemic delaying the completion of works and handovers. We now anticipate that in 2021-2022 we will complete 497 new homes for social rent. We also anticipate commencing on site with a further 334 new homes subject our current on-site projects completing and with no further interruptions to on site working. We anticipate that the above programme will lead to expenditure of around £55m with £24m from subsidy and £31m from private finance. Whilst Scottish Government have publicised the funding package for affordable housing for 2021-2022 as the current time there is no indication as to the level of funding beyond March 2022 there have been no “pipeline” new supply properties yet included within the Business Plan.

The sites that are being delivered are, generally, located within established residential areas, which are close to local amenities, services and transport links. The vast majority of sites are acquired from the private sector and we continue to utilise the Public Contracts Scotland portal to seek land and development partners on an annual basis.

CVPS will complete for outright sale 20 homes at Kirk Street in Strathaven is currently being progressed towards a site start in spring 2021. These projects have and will be funded through on-lending.

We continue to work with colleagues in North and South Lanarkshire Council and East Dunbartonshire Council on identifying potential sites, which would be, included in future Strategic Housing Investment Plan (SHIP) documents. These documents will be re-assessed over the summer of 2021.

In 2021`-2022 we will invest an additional £4m (which includes catch up investment from 2020/21) in investment driven from our **Asset Management Strategy Delivery Plan.** This will see us deliver a number of projects and initiatives, which will continue to make our housing portfolio attractive to customers, and financially sustainable to manage both currently, and in the future. In 2020/2021 we did not complete some of our projects identified in the investment plan, however we intend to complete these as soon as is possible in 2021.

Given the impact of the pandemic the EESSH compliance timetable of December 2020 has been extended by one year. The deadline for improving the safety of our homes through completing the remaining properties which are due for work related to the LD2 fire regulations has also been extended to February 2002. We are on programme to meet these new deadlines

We will also continue to maintain properties to the **Scottish Quality Housing Standard (SHQS).**

We continue to utilise Scottish Procurement Alliance and Procurement for Housing to ensure our procurement process is both efficient and competitively sourced

Our internal working group focussing our low demand stock in Douglas in rural South Lanarkshire have concluded the first phase of that review. Board approval will be sought to implement a detailed options report in spring 2022.

7.5. People Directorate

Our People Strategy (2020-2025) launched in 2020 with a strong focus on investment in our people and creating a more diverse and inclusive workforce that will provide the agility, skills and expertise to enable us to deliver our plans for the future.

During 2021/22 the focus will remain on supporting our teams through the pandemic and we will continue to keep this as a key priority. We recognise the importance of employee wellbeing at all times and will continue to work within and develop further our gold accreditation in Healthy Working Lives.

We will be modernising our People-related policies and terms conditions. We are keen to designing more agile ways of working for the future in preparation for a return to the workplace and in realising our ambitions of being the ‘employer of choice’. We will be working with our Employee Champions Group to develop this further and present any recommendations relating to the Board.

Workforce planning is a key priority to deliver on our key new strategic priorities – including Contact Centre, Digital and SmartThink strategy. We are aware of the challenges and opportunities we face. We are therefore focusing on our Strength-to-Strength Workforce Planning project on the investment in our people over the next two years. This will involve the consultation process of the structural changes proposed commencing from the 23 March 2021 with an anticipated implementation date of early May 2021.

Succession planning will remain a key priority and ensuring that we minimise our single points of failure and align with our workforce planning priorities. Phase 2 of this process in reviewing and embedding our developments has commenced and this will align with the Strength-to-Strength Workforce Planning project.

We will also ensure that we are investing in the right skills to ensure that we are able to respond to the changing world of work, our plans for the future and integrate our digital developments. We will also be investing in a Leadership Development programme which will align with our succession plans.

Embedding the right culture, values and behaviours within Clyde Valley sits at the core of our People Strategy. We will be developing and implement a competency framework to enable us to embed within all roles. We are also creating capacity within the structure and streamlining processes which will support our transition to a growth mindset and to create innovation within the workplace.

We will be investing in an HR System that will allow us to provide a more streamlined and efficient offering to all our people and our managers with information and tools to support them in their roles.

Our developments will be in line with the Investors in People (Platinum) standard.

7.6. Financial Management

7.7. The Clyde Valley Group has robust and effective financial management incorporating financial planning, control and reporting. These are supported by appropriate financial analysis and founded on quality data and reasonable assumptions.

7.8. The key assumptions used within the plan are outlined in the table below and sensitivity analysis has been included on a number of these areas at the end of this section.

Year	Inflation	Salary Inflation	Rental Increase (Social Rent)	Rent Increase MMR	Rent Increase MR	Bank Interest Rate	Bad Debt	Voids
2022	2.5%	0.8	1.0%	0%	0%	1.00%	<0.5%	1.19%
2023	2.5%	1.2	2.5%	1%	1%	1.00%	1.5%	1.39%
2024	2.5%	1.5	2.5%	2%	2.5%	1.5%	1.5%	1.39%
2025	2.5%	2.5	2.5%	2%	2.5%	1.5%	1.5%	1.39%
2026	2.5%	2.5	2.5%	2%	2.5%	2.00%	1.5%	1.39%
2027	2.5%	2.5	2.5%	2%	2.5%	2.50%	1.5%	1.39%
2028	2.5%	2.5	2.5%	2%	2.5%	3.00%	1.5%	1.39%
2029	2.5%	2.5	2.5%	2%	2.5%	3.50%	1.5%	1.39%
2030 - 2051	2.5%	2.5	2.5%	2%	2.5%	4.00%	1.5%	1.39%

8. Key Highlights

8.1. Statement of Comprehensive Income (SoCI)

8.1.1. Detailed below is an overview of SoCI over the first 5 years of the Plan, including an amalgamation of Years 6 to 30. The graphs included in this section cover the first 5 years of the plan in terms of where the income comes from and where it is allocated in the SoCI. Note that the actual cash transactions include capital costs and payment of debt which does not feature in the SoCI and is covered in section 11.6 on Cash Flow.

8.1.2. The full 30 year SoCI associated with this Plan is outlined at **Appendix 1.**

8.1.3. The cumulative surplus position as at the end of 30 year Plan is £250m based on stated assumptions and after capitalising of major repairs costs where applicable throughout the plan. It should be noted that this surplus is generated using accounting calculations in line with the SORP and does not represent cash in the bank. The actual cash in the bank is outlined at 11.6 - Cashflow. The rental increase supports the expenditure in the Plan, as well as servicing debts with resultant surplus as noted.

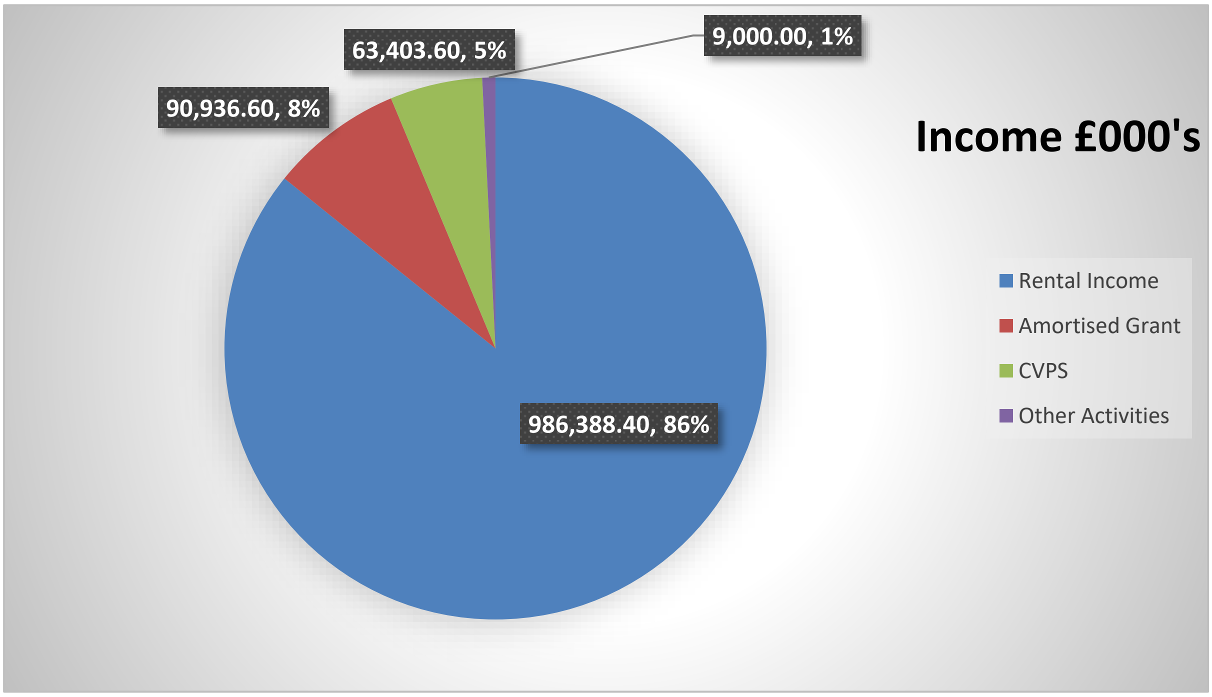
**Note - Balances in (brackets) denote expenditure (operating costs) or a deficit.*

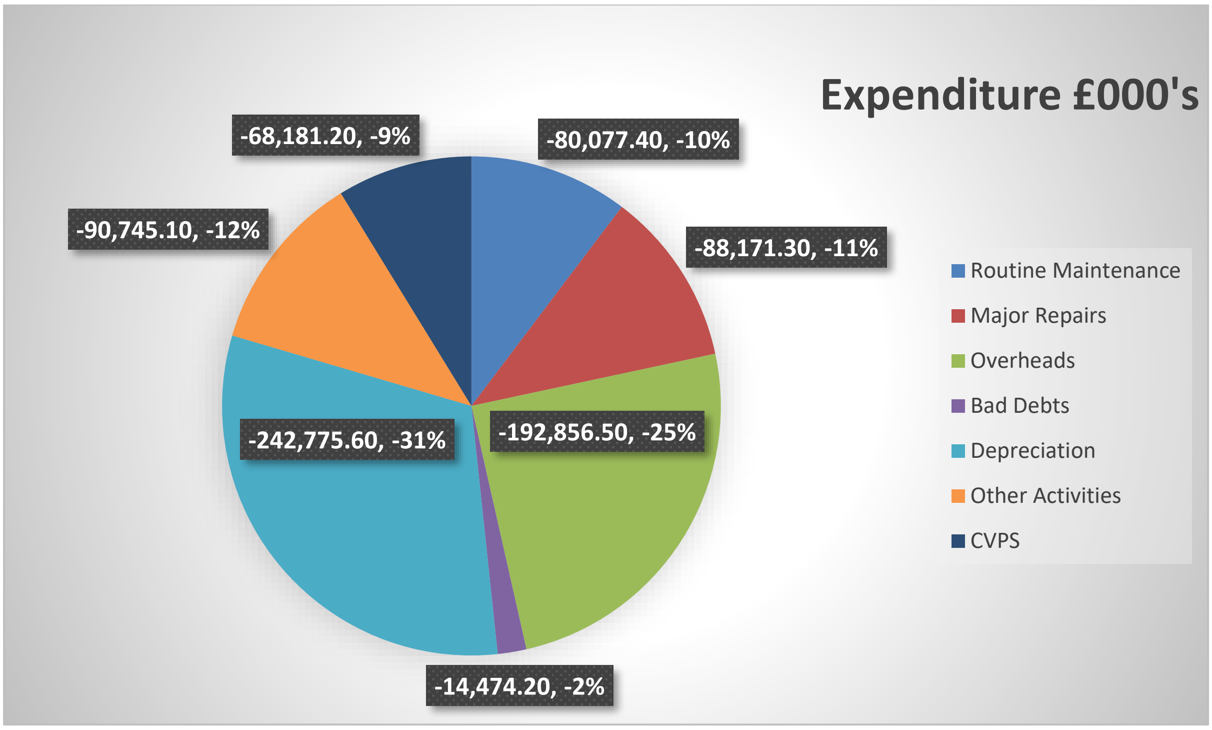
8.1.4. At 1 April 2021, the Clyde Valley Group had 4173 rented social housing units, including 3 shared owners plus 53 Intermediate rented units (leased to subsidiary).

	FIRST 5 YEARS						
	Year 1 2021-22 £0	Year 2 2022-23 £0	Year 3 2023-24 £0	Year 4 2024-25 £0	Year 5 2025-26 £0	Year 6-30 2026-51 £0	Total 2021-2051 £0
Turnover	27,895	27,194	28,267	28,877	29,739	1,007,758	1,149,729
Less Operating Costs	(21,340)	(19,240)	(19,969)	(21,383)	(20,899)	(737,608)	(840,439)
Operating Surplus	**6,555**	**7,954**	**8,298**	**7,494**	**8,840**	**270,150**	**309,289**
Gain on disposal of Fixed Assets	0	0	0	0	0	0	0
Share of operating surplus/deficit Joint venture	0	53	52	-172	0	0	-67
Interest receivable and other income	10	31	26	30	34	8,914.0	9,045
Interest payable and similar charges	(5,020)	(5,252)	(5,372)	(5,300)	(5,265)	(82,948)	(109,157)
Surplus/(deficit) before Taxation and FA	**1,545**	**2,785**	**3,005**	**2,052**	**3,609**	**196,116**	**209,111**
Movement in Fair Value of financial Instruments	0	0	937	937	1,873	1,873	5,619
Corporation Tax	0	0	0	0	0	0	0
Surplus/(deficit) for the year	**1,545**	**2,785**	**3,941**	**2,988**	**5,482**	**197,989**	**214,730**
Cumulative Surplus/(deficit)	**37,798**	**40,583**	**44,524**	**47,512**	**52,994**	**250,982**	**250,982**

8.1.5. The subsidiary also owned 16 Market rented units bringing the Group total to 4239. Over the next 5 years the Group's stock is projected to rise to 5055 units (representing a 19% increase on April 2021).

8.1.6. The charts below show the breakdown of the key areas of income and expenditure with an explanation of the areas in the following section.


Income £000's
63,403.60, 5%
9,000.00, 1%
90,936.60, 8%
986,388.40, 86%
Rental Income
Amortised Grant
CVPS
Other Activities


Expenditure £000's
-68,181.20, -9%
-80,077.40, -10%
-90,745.10, -12%
-88,171.30, -11%
-242,775.60, -31%
-192,856.50, -25%
-14,474.20, -2%
Routine Maintenance
Major Repairs
Overheads
Bad Debts
Depreciation
Other Activities
CVPS

8.2. Key Areas

8.2.1. Income

Rental Income	As expected, Rental income forms the main income stream with £116m over the next 5 years. The plan assumes the rent increase beyond the period of the rental strategy is 2.5% throughout the time of the plan with the exception of the 1% agreed for year 1 of the plan. The Group is conscious of the pressures on rent affordability and value for money so actual increases will depend on the business plan in the future with the Customer Panel being an integral part of holding the Association to account on value for money.
Grant Amortisation	The second largest source of income is Grant Amortisation at £15m over the next 5 years. This grant in line with FRS 102 is amortised over the lifetime of the asset (generally 70 years as this is based on the structure of the property). Whilst this appears in income it is not an annual cash flow as the grant is received in cash at the outset of projects to fund part of the build. It is difficult to predict the profiling of grant amortisation precisely due to the timing of completion of future developments and the prediction of the final grant balance in any one year. Therefore, grant amortisation forecasts may be subject to change.

8.2.2. Expenditure

Bad Debts	The bad debt assumption in the business plan is included at 1.5%. This bad debt assumption is to account for the detrimental affect Universal Credits may have on our rent collection. This is a prudent planning assumption however the Group strives to keep arrears to a minimum and has a dedicated team working in this area.
Interest Rate Management	The Group has a range of interest rate management instruments including two callable swaps which the bank can opt to call. Given the rates these callable SWAPs are based on it is unlikely these will be called so it is assumed that these will be in place for the majority of the plan. The Treasury Management Policy states the Group must have at least 50% of its long term debt at fixed rate. The private placement of £70m comes at a fixed rate of 3.507% therefore we have certainty of price of this over the 32- year term. This increases the total hedged amount in the business plan to 80% at the current time.
Douglas Low demand strategy	One factor in demand levels in Douglas is the fact that there is no Gas supply and homes are heated with expensive electric systems. However, the Group has been installing Air Source Heat Pumps to provide a better more efficient source of heating for our customers in Douglas. The plan assumes 30% of Douglas properties will always be unoccupied. This is a prudent assumption over the life of the plan and measures/reviews will continue to take place to minimise the negative impact of Douglas. Where properties are empty long term the Association is liable for council tax bills and continues to provide for potential council tax bills for empty properties in this area. This has continued to be provided for at £40k per annum.
Staffing Resources	CVG has a budgeted staffing of 79 FTE based on the April 2021 budget. However, CVG is an ambitious and developing organisation and aspirations for future growth and diversification will be considered as part of the Board's

	strategic reviews with the inclusion of any staff resources needed to support this as part of the process.
Salary Costs	The current pay award is part of a 2-year re-negotiated deal with Unite at 0.8% The plan assumes 1.5% for the 2nd and 3rd year of the plan with 2.5% thereafter.
Pension Costs	From 1st April 2014 the Group closed its DB scheme and now operates a DC scheme with all staff eligible to join this scheme with a standard 9.6% employer's contribution. This means that the Group does not have the open ended risk of further increases in contribution on the final salary scheme, thus de-risking the future contributions increase, but not removing historic DB scheme deficit liabilities. All staff have the option to be in the pension due to auto-enrolment and there are only a small number of staff who choose not to be in the scheme and have opted out. The Plan includes the Pensions Trust deficit reduction programme which under FRS 102 no longer shows as a charge against operating profits in the Statement of Comprehensive Income but appears in the Statement of Financial Position as a creditor liability at the Net present value of future contributions, which reduces over time.
Refinancing	The Plan assumes £139.9m at the beginning of the plan, made up of £70m Private Placement and £69.9m Facility A and B Syndicate Loan. Refinancing is required in 2032 to repay part of the remainder of facility A and B of £30m, towards the outstanding amount of £32m. If further new build is identified additional monies may be sought.
Depreciation	Depreciation is a non-cash amount charged to the income and expenditure account which spreads the cost of the property acquisition and major repairs over the life of the components. Depreciation on new supply is based on build cost and projected component replacements. It is difficult to predict depreciation precisely due to the timing of completion of future developments and the prediction of the final depreciation balance in any one year. Therefore, depreciation forecasts may be subject to change however for covenant purposes depreciation is added back to the calculation therefore any variations in forecast do not impact on the covenant.
New Supply	The units in this plan are restricted to the current funding facility in place. Details of new supply are included at section 11.8.
Routine Maintenance and Service Costs	This area covers all reactive and void maintenance and is based on a unitised cost plus inflation based on the 2020/21 budget. As the amount of stock grows, costs in that area will increase, but will be covered by rental streams from the new units. Routine and planned maintenance accounts for spend of £16m over the next 5 years.
Planned Programme Renewals	Whilst in SoCI terms the first five years spend is £6.4m the actual cash spent before capitalisation is £17.7m over the first 5 years with £11m being capital spend. Our planned programme renewals are linked to our Asset Management Strategy and 30-year lifecycle costing programme and include works such as roofing, bathroom and kitchen renewals. The overall total spend is higher than last year's plan with overall the CVHA 30 years spend being £291m over the plan in comparison to £279m. The major works increases during the life of the plan and is higher in the later years of the plan, therefore increasing the total in the plan. As timing of major planned renewals depend on the date stock is built and can take place over a lengthy period spend trends cannot be identified by using annual plan results. In addition, some years have less capitalised spend so planned spend can vary in the SoCI by significant amounts.

Supplies and Services Costs	In addition to staffing resources managing the stock and running the business over the next 30 years requires non salary costs, for example legal and insurance costs, office running costs such as heat and light, telephone costs, business rates, consultancy and professional fees. Allowances are made for the new supply coming on stream where overheads are directly related to stock numbers and the plan includes for legal and other costs of securing stock in the next 4 years. Management costs are subject to significant scrutiny as part of the efficiency programme and as part of the value for money framework.

8.3. Private Finance and Loan Balance

8.3.1. The group currently has borrowing agreements in place for a total of £139.9m. This includes a private placement of £70m and Syndicate borrowing of £69. However due to the repayment conditions of the restated loan subsequent refinances are required by 2032 of £30m to repay the outstanding debt for the syndicate lending of £32m at that time. This £30m would be repaid by 2038.

8.4. Key Areas

Facility A & B	Facility A and B are now exhausted. The restated facility shortened the deal to March 2032 therefore shortening the term by 5.5 years. This means that in 2032 a refinancing to new money of £30m is required as the balance at that stage to be repaid of £32m.
Private Placement	This £70m Canada Life funding to be repaid in 2050.
New Money	As stated above £30m in new money is required by 2032 to repay the remainder of the Facility A and B loans. This is only required for a short period of 6 years.
Future refinancing options	Future financing options are not considered at this time and will be considered during 2021/22 and included within the next version of the plan if appropriate.

8.5. Statement of Financial Position (SoFP)

8.5.1. The following extract provides SoFP details on the next 5 years and an amalgamation of years 6-30. The full 30 year SoFP associated with this Plan is outlined at **Appendix 1**

	FIRST 5 YEARS					Final Balance 2021-2051 £
	Year 1 2021-22 £000	Year 2 2022-23 £000	Year 3 2023-24 £000	Year 4 2024-25 £000	Year 5 2025-26 £000	
Tangible Fixed Assets						
Housing Properties	429,570	442,503	445,314	448,186	450,216	642,192
Housing Properties- Depreciation	(55,246)	(61,191)	(67,250)	(73,398)	(79,634)	(292,315)
Housing Properties net of Depreciation	374,323	381,312	378,064	374,787	370,582	349,877
Other Fixed Assets	6,041	5,709	5,597	5,484	5,391	1,521
Total Fixed Assets	**380,364**	**387,021**	**383,661**	**380,272**	**375,973**	**351,398**
Current Assets	17,670	15,218	15,285	17,477	18,556	31,490
Current Liabilities	(6,046)	(6,046)	(6,046)	(6,046)	(6,046)	(6,081)
Net Current Assets	**23,716**	**21,264**	**21,331**	**23,523**	**24,602**	**37,570**
Total Assets Less Current Liabilities	**404,080**	**408,285**	**404,992**	**403,795**	**400,575**	**388,968**
Loan Balance	(139,900)	(136,820)	(133,620)	(130,420)	(127,220)	0
Deferred Income - SH Grant	(214,142)	(213,695)	(210,649)	(207,602)	(204,554)	(128,490)
Fair Value of Non-Basic Financial Instruments	(5,964)	(5,964)	(5,028)	(4,091)	(2,218)	(345)
Other Long-Term Creditors	(3,041)	(8,041)	(8,041)	(3,041)	(3,041)	(3,041)
Net Assets	**767,127**	**772,805**	**762,330**	**748,949**	**737,608**	**520,844**
Shareholders' Equity	0	0	0	0	0	0
Comprehensive Income reserve	31,834	34,619	38,560	41,548	47,030	245,018
Total Share Capital and Reserves	**31,834**	**34,619**	**38,560**	**41,548**	**47,030**	**245,018**

8.5.2. During the 30 year period reserves increase by the annual amount contained in the SoCI with a final value of just over £245m at the end of the plan as illustrated above. This reflects the closing position in the SoCI and there are no in year deficits throughout the 30-year period.

8.5.3. The main indicator of good financial health is the net current assets of the business which are positive throughout the period. Short term Creditors and debtors are held flat throughout the plan as all movements are assumed to happen through the cash in Brixx. These three elements are added together to derive net current assets in any case. The Group maintains a healthy cash balance throughout the plan net of any loan repayments that are required.

8.5.4. This Plan contains projections based on current expected new supply investment activities and accounting transactions. Net current assets are positive throughout the

Plan and the full repayment of the £69.9m facility is reflected in the loan balance as well as the repayment of the Canada Life £70m which is repaid in the final year of the plan.

8.5.5. Peak debt is £139.9m in 2021 and reduces year on year after that to balance of nil at the end of the Plan.

8.6. Cash Flow

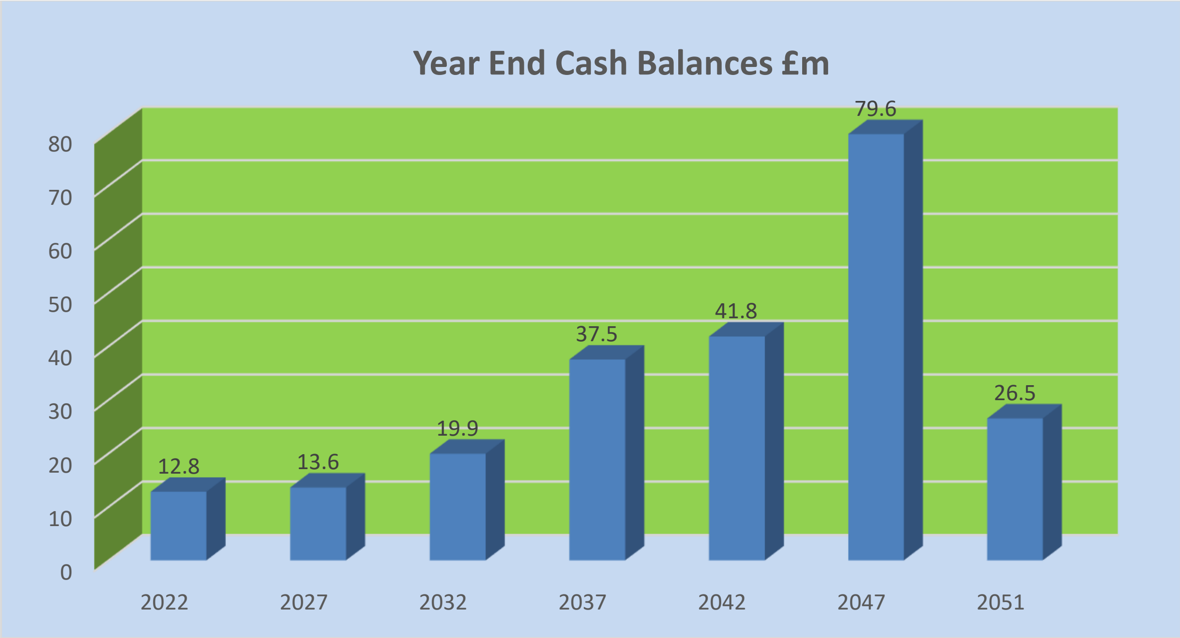
8.6.1. The following extract provides Cash Flow details on the next 5 years and a roll-up of years 6-30. The full 30-year Cash Flow associated with this Plan is outlined at **Appendix 1.**

	FIRST 5 YEARS						
	Year 1 2021-22 £000	Year 2 2022-23 £000	Year 3 2023-24 £000	Year 4 2024-25 £000	Year 5 2025-26 £000	Year 6-30 2026-51 £000	Total 2021-2051 £000
Operating Activities							
Cash Received From Customers	24,994	23,894	24,870	25,457	26,313	918,530	1,044,057
Cash Paid To Suppliers	(11,466)	(8,917)	(9,681)	(10,924)	(10,288)	(383,228)	(434,504)
Cash Paid To Employees	(3,664)	(3,707)	(3,762)	(3,835)	(3,910)	(126,960)	(145,839)
Net Cash From Operating Activities	**9,864**	**11,270**	**11,427**	**10,698**	**12,114**	**408,341**	**463,714**
Provisions for Tax	0	0	0	0	0	0	0
Net Cash From/(To) Finance Servicing	0	0	0	0	0	0	0
Net Cash From (To)Investment Activities	(25,244)	(10,396)	(2,785)	(15)	(1,996)	(180,974)	(221,410)
Net Cash Before Financing	**(15,380)**	**875**	**8,642**	**10,683**	**10,118**	**227,367**	**242,305**
Net Cash From financing	(8,060)	(3,332)	(8,572)	(8,500)	(9,046)	(214,553)	(252,062)
Income Less payments	(23,440)	(2,457)	70	2,183	1,072	12,814	(9,758)
Balance Brought Forward	36,275	12,836	10,379	10,448	12,631	13,703	36,275
Closing Bank position	**12,836**	**10,379**	**10,448**	**12,631**	**13,703**	**26,517**	**26,517**

8.6.2. There is sufficient cash flow in the model to operate the business, pay the costs of servicing finance and pay back the syndicated loan facility and the private placement with Canada Life with adequate cash balance at the end of the plan.

8.6.3. There are no instances of negative cumulative cash balances or the need to borrow additional working capital over and above available private finance based on the assumptions in this plan. The cash flow as projected is populated with the current agreed repayment profile for the £69.9m Facility A and B. Whilst it is assumed that the £32m balance of A & B required in 2032 on maturity is dealt with through a refinancing of £30m this may be dealt with through an alternative financing structure or paid from cash depending on future decisions.

8.6.4. As with previous plans there are a few years where actual cash spent in the year exceeds cash coming in. This is due to cash being spent from reserves that was set aside for debt repayments from built up reserves as indicated above. Given that the organisation is paying back the full value of debt built up in previous years that is to be expected.



There are no major issues with the cumulative cash position in the plan based on the assumptions used.

- The syndicate debt is repaid during the life of the plan.
- The £70m private placement is paid off from cash reserves in 2050 at the maturity date of 15th October 2050.
- As at the end of the plan year 30 (2051) cash balance £26.5m.

Summary

- The cumulative cash balances are positive over time with full repayment of debt over the term of the loans.
- Healthy cash balances are generated throughout the plan; however, these are significantly higher in the last 10 years of the plan. It is important that throughout the life of the plan cash monitoring is important with any reductions in income being reflected with cost reductions if required.

8.7. New Housing Supply Expenditure, Grant and other Spend

8.7.1. Detailed below is the projected new housing supply expenditure for the Group split by site, Local Authority area; with grant and private finance assumptions for years 1-5. The projected units delivered are also noted in the table.

8.7.2. All sites are located in sustainable housing markets and identified as Local Housing Strategy priorities. Sites may be subject to change and substitution depending on circumstances.

8.8. New Supply Spend

Development Scheme	total units	Total spend	HAG	Private Finance
		£	£	£
East Dunbartonshire				
High Street, Kirkintilloch - Ph 3	57	4,256,800	1,411,304	2,845,496
North Lanarkshire				
Parkfoot Street, Kilsyth	31	2,969,800	1,557,905	1,411,895
449 Main Street, Bellshill	18	409,086	0	409,086
Broomknoll Church, Airdrie	30	837,112	0	837,112
Ladywell Road, Motherwell	46	352,856	0	352,856
Ravenscraig Phase 3	10	15,795	0	15,795
Cleland Club, Cleland	28	3,126,400	1,312,639	1,813,761
Newarthill Road, Carfin	77	1,665,500	0	1,665,500
Redwood Road, Cumbernauld	36	2,193,000	75,535	2,117,465
Kirkwood Street / Bank Street	16	308,800	0	308,800
Airdrie Road, Condorrat	21	35,625	0	35,625
Mill Loan, Airdrie	16	1,551,855	944,626	607,229
Airdriehill Street, Airdrie	34	544,374	537,280	7,094
Ellis Street, Coatbridge	36	307,151	898,813	-591,662
Old Edinburgh Road Full Site	44	891,513	0	891,513
Holytown Road , Holytown	40	1,951,700	0	1,951,700
Uppermill Street, Airdrie	14	619,387	0	619,387
Leslie Street, Motherwell	13	737,000	0	737,000
Coatbridge Road Glenmavis	20	2,075,400	799,168	1,276,232
Philip Murray Road, Bellshill	51	5,381,100	1,725,561	3,655,539
East Avenue, Carfin	24	3,577,300	1,883,500	1,693,800
Manse Street, Coatbridge	18	2,639,600	1,412,700	1,226,900
Dalziel Drive, Motherwell	24	4,025,700	2,820,000	1,205,700
Bellaville Road Chryston	24	3,341,400	1,883,500	1,457,900
Reema Road Bellshill	48	2,024,500	898,813	1,125,687
South Lanarkshire				
Overtown Primary School	17	953,113	679,215	273,898
Gallowhill Road, Lanark	26	922,000	0	922,000
Bothwellbank Farm, Bothwell	25	866,059	0	866,059
Hoover Site Cambuslang	17	48,365	0	48,365
Douglas Street, Hamilton	21	0	1,663,680	-1,663,680
George Street, Blantyre	20	474,696	474,696	0
Campbell Street	25	2,000,000	575,900	1,424,100
Hamilton Vogue	18	2,544,200	1,596,000	948,200
Royal Oak, Lanark	15	2,268,000	1,275,040	992,960
Residual spend previous completions		327,689	0	327,689
GRAND TOTAL - CVHA PROPERTIES	960	56,242,876	24,425,875	31,817,001

8.9. Treasury Management

8.9.1. The treasury function includes:

- the management and monitoring of the organisations cash flows,
- its banking and borrowing,
- its interest rate management tools, and
- the effective control of the risks associated with these activities in pursuit of optimal performance consistent with its business objectives.

8.9.2. As a developing RSL effective treasury management is vital to manage liquidity risk and interest rate risk. A summary of the key areas is shown below.

8.10. Key Areas

Cash Flow Management	Liquidity is key to any organisation and the Group is no exception with robust cash flow management systems in place. Income and Expenditure streams are forecast on an annual basis through the budget process and these are monitored through the **devolved budget process** to refine forecasts on a monthly basis. The cash flow is monitored on a daily basis and includes drawdowns and repayments of the loan facility. This ensures that there is adequate cash liquidity in the short to medium term with the Plan projecting longer term requirements.
Independent Treasury Management Advisors	In line with **SHR Guidance on Treasury Management** and to ensure good governance the Group has engaged independent Financial Advisors who are registered with the Financial Conduct Authority (**ATFS Ltd**). They advise on all aspects of Treasury Management including derivatives transactions, refinancing and treasury management policy. In addition to presenting information to the Board annually and contributing to hedging strategy, senior staff meet and discuss key risk areas with ATFS as required.
Loan security	Independent valuation experts **Jones Lang LaSalle** undertake a desktop revaluation exercise of existing stock and visit new stock added annually to assess the current value of the Groups housing assets for security purposes. Under the Groups loan agreement, a full valuation is undertaken every 3 years. This involves a representative sample of the Groups stock being examined in more detail including internally to provide a full valuation. This exercise is underpinned by regular **stock condition surveys** undertaken by independent RICS Chartered Surveyors, which ensures that the stock continues to represent the loan value secured. A new stock condition survey was undertaken during 2017/18. As part of the business planning exercise security values are updated to include new build being available for security and the current projections cover the current loans and prevailing MTM exposure (see below).
Interest Rate Hedging	In line with our **Treasury Management Policy,** we require to have at least 50% of our long term debt at fixed rates with an option to have 100% fixed if required. We currently have £36.2m of long term fixes and £10m of fixed rate loans with our existing lending syndicate which covers 66% of our senior term facility A&B debt. As part of our longer-term strategy, we have the £70m private placement which has a fixed rate of 3.507% and therefore increases the level of fixed

	rate debt within the plan to 83%. For this reason, we are not considering any further hedging in the plan at this time so have not included any sensitivities on this for the 2020 plan. The Treasury Management policy is reviewed annually with advisors ATFS and changes where proposed would be referred to Committee for approval.
Mark to Market Exposure	Due to the shift to very low interest rates following the credit crunch in 2008 the instruments that we hold are at higher rates than the floating rate of interest meaning that they generate a "Mark to Market" exposure and the Group has to provide the bank with additional security to cover the value of this exposure. As noted above, security is adequate in the plan to cover this exposure. In terms of cash flow the low floating rate is generating a cash flow benefit to the organisation and the fixed rates for the instruments have always been built into the Plan. Under FRS 102 the Group requires to include the exposure on callable SWAPs on the Statement of Financial Performance from 1st April 2016, and as at that date a liability of £7m was recognised which is a similar value in this plan before reducing over time to zero.
Management and Monitoring	The Finance & Corporate Services Director manages all aspects of this area supported by a monitoring system, operated on a daily/weekly basis and further supported by independent comparative data. This system includes the management of **Mark to Market** exposure which is reviewed daily with all elements of treasury management being considered in a holistic approach to ensure liquidity and security across the full Plan.
Reporting	A full report on treasury management activities is submitted to the Finance Committee each quarter with a final annual report on all activities presented to the Board with support from ATFS as independent treasury management advisers. The main areas of Treasury management risk are included in the Strategic Risk Register which is presented to the Board to provide assurance in this area. During 2019/20 CVG reviewed their Governance Structure and chose to remove the Finance Committee from the Structure therefore all further Treasury Management Reports will be presented to the Board.
Debt Facilities	The Group is financed by £69.9m debt facility from the Lloyds/Barclays syndicate alongside a private placement from Canada Life of £70m. This facility provides adequate cash flow for the capital developments contained in the Plan. This debt is secured over the Groups housing assets.
Treasury Management Policy	In 2012 a full review of our Treasury Management Policy was undertaken in conjunction with ATFS and a revised policy was introduced based on the updated CIPFA model. In view of the volatile nature of the current economy this policy is reviewed annually with the latest policy being approved by Board in December 2020. This policy is compliant with SHR Guidance that best practice was to follow the CIPFA Guidelines.

8.11. **Financial Covenant Compliance**

8.11.1. Under the syndicate Loan agreement, the Group has two corporate style financial covenants. These are summarised as follows:

8.12. **Interest Cover**

8.12.1. The purpose of the Interest cover test is to ensure that the operating surplus before capitalising major repairs and deducting depreciation are sufficient to service the debt payments. This covenant is therefore sensitive to decreases in income, increases in operating costs and interest costs as if surplus were reduced and interest was increased the covenant ratio would be reduced and could fail.

8.12.2. The Interest cover covenant must not fall below 105% in any one year and 110% in a rolling 3 years. There is also a condition with the Private Placement that this must not fall below 115% should a Scottish referendum be announced.

8.13. Gearing

8.13.1. The purpose of the Gearing test is to ensure that the worth of the company is enough to support the debt and would be sensitive to borrowing in excess of this or a reduction in reserves. The Gearing must not exceed 70%.

	FIRST 5 YEARS				
	Year 1 2021-22 %	**Year 2 2022-23 %**	**Year 3 2023-24 %**	**Year 4 2024-25 %**	**Year 5 2025-26 %**
Interest Cover Annual	132.5%	159.8%	186.7%	186.0%	226.1%
Target not **less** than	105%	105%	105%	105%	105%
Compliant	✓	✓	✓	✓	✓
Interest Cover Ave	164.0%	159.3%	160.3%	177.6%	199.5%
Target not **less** than	110%	110%	110%	110%	110%
Compliant	✓	✓	✓	✓	✓
Gearing	**54.3%**	**54.6%**	**53.4%**	**52.3%**	**50.8%**
Target not more than	**70%**	**70%**	**70%**	**70%**	**70%**
Compliant	✓	✓	✓	✓	✓

8.14. Clyde Valley Property Services

8.14.1. Clyde Valley Property Services (CVPS) has a separate Business Plan in place which is approved by both the CVPS Board and the Parent Board of CVHA 2021 CVPS will expand their private residential lettings business to manage properties for a wider range of landlords beyond CVHA and their own portfolio. A Business Development Director has been recruited to focus on this activity. CVPS Board continue to liaise with the Executive Team of the parent to develop this further.

8.15. Key Areas

Sites Developed for Sale	Sites developed for sale accounts for around £3.040m of turnover and £2.814m cost of sales and relates to Kirk Street, Strathaven selling a total of 20 units. This site is expected to be complete and sold by March 2022.
Property factoring and other Income	This work is done under the Nova brand, this accounts for around £2.8m of turnover in the first 5 years from management fees, grounds maintenance and common repairs. The plan includes the additional 20 in 2025, the number of properties CVHA will acquire from the Innov8. No further growth in the factoring business although this is an area that CVPS have within their strategy to develop and grow.
Commercial Property Letting	Under the Avant brand, there are currently two commercial properties at Campbell Street Hamilton. One is currently let and the other is vacant. These properties tend to have shorter length leases than the one at Burnbank Centre which has a 25-year lease to a dentist. Commercial rentals currently generate around £232k in the 5-year period. In the current economic climate commercials can be problematic and there are no additional commercials included in this Plan,
Garage Income	This is based upon the rental streams from the existing lock-up garages net of voids which generates circa £85k over the 5-year period. Income is frozen over the period due to general demand issues. There is a longer-term strategy in place for reviewing the Group's position in relation to the garages with careful review of low demand stock.
MMR Properties	Under the AVANT brand CVPS has been managing properties on intermediate rents for the parent company who are responsible for all costs with CVPS responsible for marketing and collecting rent. This has been a developing area of business as the Group desires to offer tenure choice where it is possible to do so. Over the 5 years this generates around £2.8m in rent. Rents are based on a formula around Local Housing Allowances. In addition, AVANT manages 50 properties for Innov8 which it receives an annual management charge of circa £33k for. The JV is expected to last 10 years, so the income discontinues when the period is over, and this has 4 years to run.
Private Letting	CVPS owns 17 private lets which are rented out at market rents. Over the 5-year period turnover of £349k is projected. Future strategy for CVPS may include developing further PRS opportunities however there are no additional acquisitions at this time in the plan. the rollout of this income stream has been delayed due to the current pandemic.

8.15.1. In terms of Housing for Sale this area is driven by opportunities that arise and at this point the plan is restricted to Kirk Street Strathaven which will be delivered during 2021/22. When opportunities are identified they are subject to Business Cases which are reviewed by the CVPS Board. Given past performance it is likely that projects of this nature will continue in the future. CVPS has an on-lending Facility with the parent CVHA of £5m. This allows them to borrow relatively short-term funds and pay back from sales.

8.15.2. CVPS has longer term assets which it holds to generate annual rental income and profits. Rather than depend on selling these assets to pay back loans the CVPS strategy is to pay back loans it owes to the parent as a priority from profits. Managing properties on behalf of CVHA for MMR is part of this strategy and CVHA has provided for acquiring new MMR properties on the Table in section 10.5. Any additional CVPS borrowings during the next 5 years will depend on opportunities that arise and timing of the Groups development programme to allow borrowing and repayment of the revolving facility.

8.16. CVG Joint Venture – Innov8 Housing Solutions

8.16.1. The Group was successful in a bid to the Innovation and Investment Fund (IIF) in 2011 and this project resulted in a joint venture company being set up “Innov8 Housing Solutions” which owns 50 intermediate rented units which are be managed by CVG for a period of circa 10 years at which point the units will be split in proportion to investment in the project.

8.16.2. One of the key factors of the project is that there is an element of Government Grant which goes into the model for the Intermediate Rented properties which, provided the properties are rented for 7 years, is not repayable to SG. This grant is input by CVG and becomes in effect the investment from CVG. This project therefore involves no risk to CVG and results in units being returned to CVG which will be owned and rented out by them thereafter.

8.16.3. At the end of the project the external investor will receive an agreed share of the properties and CVHA will receive the remainder. At this stage it is assumed that CVG will receive circa 20 units and these are built into the plan with CVPS managing these properties.

8.17. Key Areas of Innov8 are:

Legal Structure	Innov8 is a separate legal entity and Limited company made up of CVHA & Investment partners. CVG does not contribute any funding or other cash to the Joint venture from its own reserves and the shareholding is detailed below. The hope is that this partnership if successful will lead to other new supply opportunities.
Shareholding	CVHA holds an investment of £2m in shares which was funded by the Scottish Governments Grant allocation for Innovation and Investment. Due to the nature of this investment the accounts are also showing a creditor of £2m, as if the project failed this investment would not materialise.
Provision of Management and Maintenance Services	CVG will provide a management and maintenance service through Avant Letting Services which will attract a fee per unit managed. This will initially be for the 50 identified units in Hamilton and Uddingston and generate circa £33k per annum plus inflation. If the project takes on any additional phases this will be incorporated at that stage. Finance and other services will be provided at cost, these are not included in the plan at the moment as income.
Asset Growth	Based on the original Innov8 Business plan CVG will gain ownership of circa 18 additional units of stock at the end of year 10 circa March 2024 current value at £1.6m. These will be at no cost to the Group.
Net Rental Increase	If the project works as expected CVG will gain a net rental yield for the 18 additional units of stock from circa April 2024.These are included in the plan and assumed CVHA owns these and leases to CVPS to manage.

9. Risk and Sensitivity Analysis

9.1. The Purpose of Sensitivity Analysis

9.1.1. This section summarises the high-level points on the sensitivity analysis.

9.1.2. An integral part of developing the Plan is the identification of potential risks to the underlying economic and financial assumptions which underpin the financial projections in the Plan. Following identification and quantification of these risks mitigating strategies are developed and put in place to ensure that the business can take action to deal with these accordingly should they arise. However, it is worth noting that a number of assumptions contained in the main plan are designed to be conservative and minimise risk and these include;

- Bank debt is assumed at higher floating rates earlier in the Plan than may be the case.
- Bad debt has been set at 1.5% throughout the plan.

9.1.3. It should be noted that the sensitivities tested in the section below are merely indicative and that actual deviations from plan may be different. However, from a risk management perspective the purpose is have an overview of what the impact of various changes might be and note what mitigating strategies can be employed. In addition, considering what further options might be available to recover from the deviation is also important.

9.1.4. The primary impacts of importance from a risk perspective are on liquidity i.e., having sufficient cash to operate effectively, and on lenders covenants which can impact on the ability to draw down on agreed loan facilities and in extreme cases breach loan agreements.

9.2. Key Areas

Liquidity	Cash flow and liquidity are the primary considerations which are the focus of this section. The Group requires adequate cash to pay back borrowings when due, service debt and continue to pay its creditors throughout its business life. In addition, at times of economic uncertainty cash may be required for cash calls on Mark to Market therefore this is also a consideration. The need to test out the impact of potential sensitivities which could impact on the Plan is very important. The baseline cash flow is a cumulative of £25m at the end of the plan as illustrates in Appendix 1, with the lowest cumulative being £10m in the earlier years of the plan. The impact of changes in liquidity from the baseline is illustrated in a graph for each sensitivity.
Lenders Covenants	The lenders covenants are dealt with in more detail in section 11.13. The Group now has two Corporate Covenants and management and monitoring of the covenants is embedded in all financial reporting. Appendix 2 illustrates performance over the 30 year period and the impact of sensitivities is illustrated for each sensitivity at Appendix 4.
Working capital loan availability	The current plan is based on the £139.9m syndicate lending and private placement lending. Therefore, it is assumed that there will be no additional borrowings to mitigate any of the impact of the sensitivities. All shortfalls would be addressed using the mitigations indicated.

9.3. The table below highlights the key impact of various sensitivities. Given the sensitivities each have impacts on the cash flow, (which are stated), dealing with large risk areas simultaneously such as reduced rental streams, changes in inflation and other cost drivers would pose major challenges and require in some instance significant mitigating factors throughout the period. An illustrative example of combined sensitivities is also detailed below. In the event that various factors came into play separate exercises would be undertaken by the Group to quantify both impact and potential resolution and the Business Plan would be revised to accommodate actions taken.

9.4. The sensitivity analysis includes the mitigations to the plan to ensure the covenants are not breached. Most sensitivities do not breach to later in the plan which is encouraging for the early years of the plan however the sensitivities in relation to the pandemic would require early intervention and a reprofiling of the asset management spend. The sensitivity analyses are detailed in below.

Sensitivity	**Impact**		
	Cashflow	**Covenants**	**Mitigations**
Operating Costs			
3% first 10 years then 2.5% for remainder of plan	Reduction by £28.9m over the 30-years. Concerns over cash balance in 29 and 30 (8.2m) and (3.5m) respectively.	Breach of interest cover covenant in years 27 and 28.	Reduce major repairs spend by £6m in 27 and 28 respectively.
2% for first 10 years then 2.5% for remainder of plan	Increase by £27.6m over the 30-years. No years where cash balance is a concern*	Both covenants compliant throughout plan.	No mitigation required.
Rent Increases			
2.5% first 10 years of plan then 2% for remainder of plan	Reduction by £37.3m over the 30-years. Concerns over cash balance in 29 and 30 (14.4m) and (11.9m) respectively.	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £5m** in Year 27 and in Year 28.
1% for first 5 years of plan then 2% for next 10 years then 2.5% for the remainder of plan	Reduction by £103.6m over the 30-years. Concern over closing cash	Breach of interest cover covenant in Year 12, Year 15 through the Year 17, Year 22 and	Reduce major repair spend by £100k** in Year 12, £800k in Year 15, £1.85m in Year 16, £100k in Year 17, £25k in

Sensitivity	Impact		
	Cashflow	**Covenants**	**Mitigations**
	balance in Year 12 (1.1m) through to Year 30 (78.2m)	Year 27 and Year 28	Year 22, £6.98m in Year 27 and £6.85m in Year 28**.
1% for first 10 years then 2% for remainder of the plan	Decrease by £154.1m over the 30-years. Concerns over closing cash balance from Year 10 (904k) through to Year 30 (128.7m)	Breach of interest cover covenant in Year 12, Year 15 through to Year 18, Year 22 to 23 and then Year 26 to Year 30.	Reduce major repair spend by £1.35m in Year 12, £2.2m in Year 15, £3.25m in Year 16, £1.7m in Year 17, £1.45m in Year 18, £2.5m in Year 22, £1.55m in Year 23, £1.05m in Year 26, £10.65m in Year 27, £10.72m in Year 28 and £1.99m in Year 29.
Voids			
Voids – 2.5% from year 2 and for remainder of plan	Reduction by £12.1m over the 30-years No years where cash balance is a concern	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spends by £1.9m in Year 27 and £1.625m in Year 28.
Bad Debts			
General Bad Debts/ Arrears increase by 50% to 2.25%	Reduction by £8.2m over the 30-years No years where cash balance is a concern	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £1.7m in Year 27 and £1.425m in Year 28.
General Bad Debts/ Arrears increase by 100% to 3%	Reduction by £16.3m over the 30-years	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £2.1m** in Year 27 and £1.825m in Year 28.
Management Costs			
Management Costs 3% for 10 years then 2.5% for the remainder of the plan	Reduction by £25m over the 30-Years. Concerns over cash balance in Year 29 (4.9m) and in Year 30 (0.1m)	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £2.925m in Year 27 and £2.75m in Year 28.
Management Costs 3% for 30 years	Reduction by £32.4m over the 30-Years.	Breach of interest cover covenant in	Reduce major repairs spend by £3.575m in Year 27

Sensitivity	Impact		
	Cashflow	Covenants	Mitigations
	Concerns over cash balance on Year 29 (11.1m) and Year 30 (7m)	Year 27 and Year 28.	and £3.45m in Year 28.
Maintenance Costs			
3% for 10 years then 2.5% for the remainder of the plan	Reduction by £6.9m over the 30-Years. No years where cash balance is a concern*	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repairs spend by £1.675m in Year 27 and £1.4m in Year 28.
5% for first 5 years of the plan then 3% for next 5 then 2.5% for remainder of the plan	Reduction by £22.4m over the 30-Years. Concerns over cash balance in Year 49 to (2.5m)	Breach of interest cover covenant in Year 27 and Year 28	Reduce major repairs spend by £2.45m in Year 27 and £2.21m in Year 28
3% for 30 years	Reduction by £13m over the 30-Years. No years where cash balance is a concern	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £2.25m in Year 27 and £2.025m in Year 28.
Interest rates			
Reduction on interest rates from the basecase 2023 – 1.00% 2024 – 1.25% 2025 – 1.50% 2026 – 1.75% 2027 – 2.00% 2028 – 2.50% 2029 – 3.00% 2030 – 3.50% 2031 – 4.00% 2032 – 4.50% 2033+ - 5.00%	Reduction by £0.9m over the 30-Years. No years where cash balance is a concern*	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £1.325m in Year 27 and £1.05m in Year 28.
Accelerated increase in interest rates 2023 – 2.25% 2024 – 2.75% 2025 – 3.25% 2026 – 3.50% 2027 – 4.00% 2028 – 4.50% 2029+ – 5.0%	Reduction by £5.8m over the 30-Years. No years where cash balance is a concern*	Breach of interest cover covenant in Year 27 and Year 28.	Reduce major repair spend by £1.375m in Year 27 and £1.1 in Year 28.

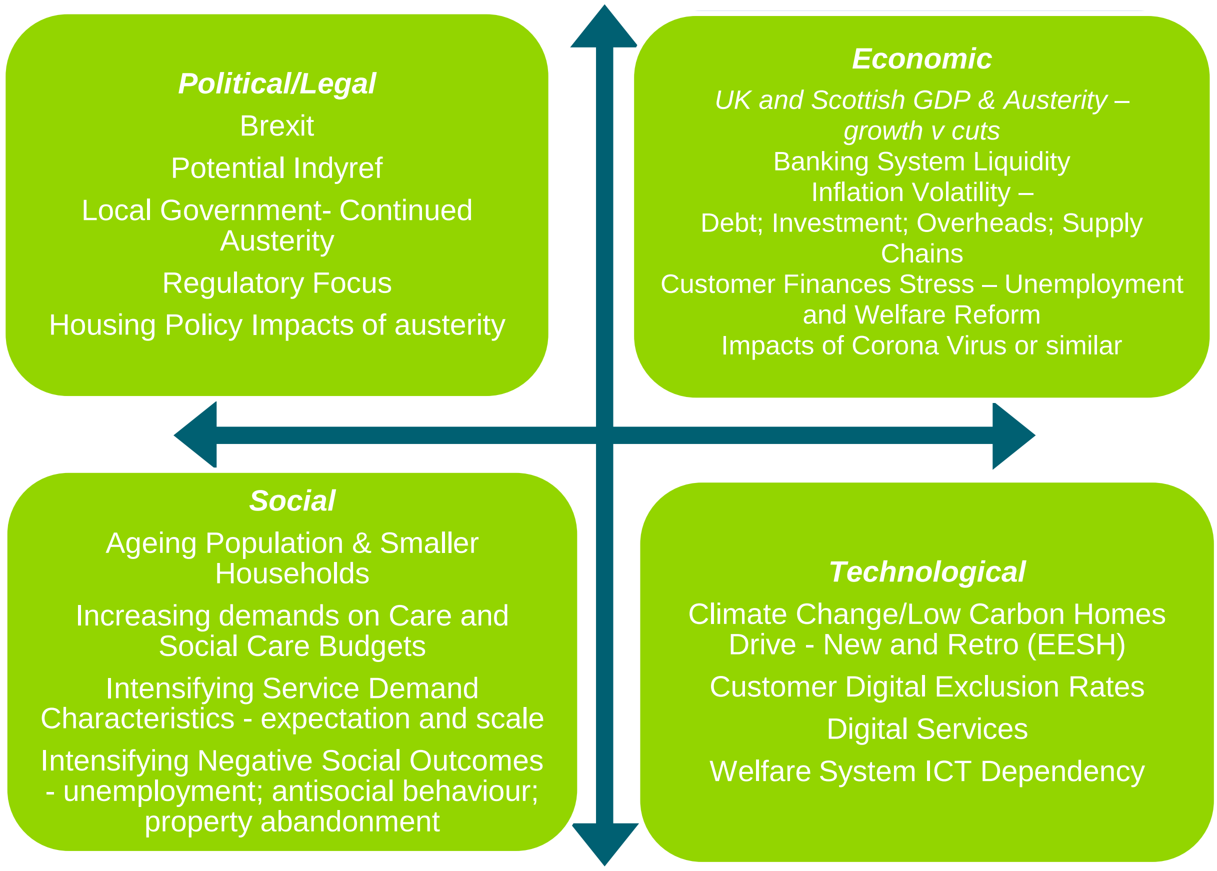
Sensitivity	Impact		
	Cashflow	Covenants	Mitigations
VAT			
VAT increases by 2.5% from year 5 then by 5% from year 10	Reduction of £141.5m over the 30-years. Concern over the cash balances in Year 17 (7.8m) to Year 30 (116.1m) This scenario requires counter action.	Breach of interest cover covenant in Year 15, 16, 18, 22, 23, 25 to Year 28.	Refinancing required at Year 11 to pay back private placement and maintain good level of working capital. (NB Reducing major repairs by this value is not a viable option. It is likely that counter action will be taken by reducing costs elsewhere within the company.)
VAT increases by 5% from year 5 and for the remainder of the plan	Reduction of £173.3m over the 30-years. Concern over the cash balances in Year 17 (-16.5m) to Year 30 (-147.9m) This scenario requires counter action.	Breach of interest cover covenant in Year 15 to Year 18 and Year 20, Year 22 to Year 30.	Refinancing required at Year 11 to pay back private placement and maintain good level of working capital. (NB Reducing major repairs by this value is not a viable option. It is likely that counter action will be taken by reducing costs elsewhere within the company.)
Combined Interest and Inflation			
Increase in inflation by 1% and Decrease in interest by 0.5%	Reduction by £118m over the 30-Years. Concern over cash balance in Year 17 (-9.4m) and then from Year 48 to 30 (-3.6m to -92.6m) This scenario requires counter action.	Breach of interest cover covenant first in Year 16, Year 22, 23 and then Year 27 to Year 30.	Refinancing required at Year 11 to pay back private placement and maintain good level of working capital. (NB It is likely that the association would respond to these changes in market conditions by increasing rent)
Decrease in inflation by 1% and Increase in interest by 0.5%	Increase by £97.1m over the 30-Years.	Both covenants compliant throughout plan.	No mitigation required.

Sensitivity	Impact		
	Cashflow	**Covenants**	**Mitigations**
	No years where cash balance is a concern		
Pandemic (lockdown/restrictions)			
Change in timing of repairs costs, asset management and development Repairs and asset management in 21/22 reduces by 50% with costs moving into year 22/23 and Development programme slows down with the programming moving by 6 months	Reduction by £12.1m over the 30-Years Concern over cash balance in Year 3 £80k	Breach of interest cover covenant in Year 2 and then Year 27 and 28	Reduce major repair spend £2.18m in Year 2, £1.4m in Year 27 and £1.125m in Year 28.
Repairs and asset management in 21/22 and 22/23 reduced by 50% moving into year 23/24 and Development programme delayed by 12 months	Reduction by £4.7m over the 30-Years	Breach of interest cover covenant in Year 2, Year 3, Year 27 and Year 28	Reduce major repair spend £1.061m Year 2, £40k for Year 3, £1.355m Year 27 and £1.07m Year 28.
Development Programme			
50% of development programme delayed to the following financial year	Nil effect on cash over the 30-Years No years where cash balance is a concern	Both covenants compliant throughout plan.	No mitigation required.
20% reduction in housing grant for development sites where HAG has not yet been confirmed	Reduction by £6.1m over the 30-Years.	Both covenants compliant throughout plan.	Reduce repairs spend by £6.1m**
Increase in both interest and inflation			
Interest rate rise to 3% from 2022 then to 8% in year 11 with inflation rising to 5.5% in year 11 - what can we do to maintain same level of accumulated profit?	Negative cash balance from year 17 and throughout remainder of plan. This scenario requires counter action.	Covenant breached in Year 1, Year 15 through to Year 20 and Year 22 through to Year 30. This scenario requires counter action.	To maintain the accumulated comprehensive income of £250m, CVHA would be required to increase rents by 3.00% from year 2 and then by 3.75% from year 12.

Sensitivity	Impact		
	Cashflow	Covenants	Mitigations
			However, we would still breach our covenant in years 1, 27 and 28 and would not have significant funds to repay private placement and maintain working capital in Year 8.
Interest rate rise to 3% from 2022 then to 8% in year 11 with inflation rising to 5.5% in year 11 - what can we do to ensure repayment of £70m plus working capital of £20m?	Negative cash balance from year 17 and throughout remainder of plan. This scenario requires counter action.	Covenant breached in Year 1, Year 15 through to Year 20 and Year 22 through to Year 30. This scenario requires counter action.	To ensure that we are covenant compliant throughout the plan and that we have enough cash to pay back our PP and maintain a good level of working capital (£20m) we would need to increase out rents by 3.00% from Year 2 and then by 4.25% from Year 11 to the end. As with previous scenarios, there are issues with the covenant in Year 1, 27 & 28 but this can be mitigated by pushing back or pulling forward the capital repair programme.

10. Horizon Scanning and Possible Scenarios

10.1. In section 5 of this Plan we out set briefly the strategic operating context of the Group and talked about the operating environment in terms of change and uncertainty. In this section of the Plan we develop the analysis slightly further in order to illustrate current strategic thinking of the Group around future influences and potential drivers for change and to what extent we may consider a response.



10.1.1. The diagram above is a short 'PEST' analysis that acts as a base to develop plausible future views of how our operating environment could look.

10.1.2. The above analysis paints a challenging environment for the Group. However, the issues outlined here form part of regular strategic and operational debate between Board, staff and key stakeholders.

Appendix 1- 30 Year Financial Schedules

Appendix 1a – Statement of Comprehensive Income.
Appendix 1b – Statement of Financial Position.
Appendix 1c – Statement of Cash Flows.

The schedules above are contained within separate excel attachments.

Appendix 2 – 30 Year Covenant Performance

Current loan covenants

Year	EBITDA MRI ANNUAL	EBITDA MRI 3 YEAR AVE		Gearing
2022	132.5%	164.0%		54.3%
2023	159.8%	159.3%		54.6%
2024	186.7%	160.3%		53.4%
2025	186.0%	177.6%		52.3%
2026	226.1%	199.5%		50.8%
2027	212.3%	208.1%		48.7%
2028	226.5%	221.6%		46.5%
2029	228.3%	222.2%		44.3%
2030	207.8%	221.1%		42.1%
2031	218.3%	218.2%		39.8%
2032	233.7%	219.4%		39.0%
2033	184.0%	211.4%		36.8%
2034	232.9%	216.1%		36.4%
2035	249.5%	221.3%		35.9%
2036	187.5%	223.3%		35.7%
2037	172.3%	203.1%		35.3%
2038	223.4%	193.7%		24.3%
2039	296.7%	220.1%		23.9%
2040	375.5%	286.2%		23.5%
2041	396.3%	356.2%		23.2%
2042	517.9%	429.9%		22.7%
2043	314.9%	409.7%		22.3%
2044	370.2%	401.0%		21.9%
2045	486.4%	390.5%		21.4%
2046	504.5%	453.7%		21.0%
2047	350.7%	447.2%		20.5%
2048	122.5%	325.9%		20.0%
2049	123.2%	198.8%		19.5%
2050	455.6%	233.8%		0.0%
2051	n/a	n/a		0.0%

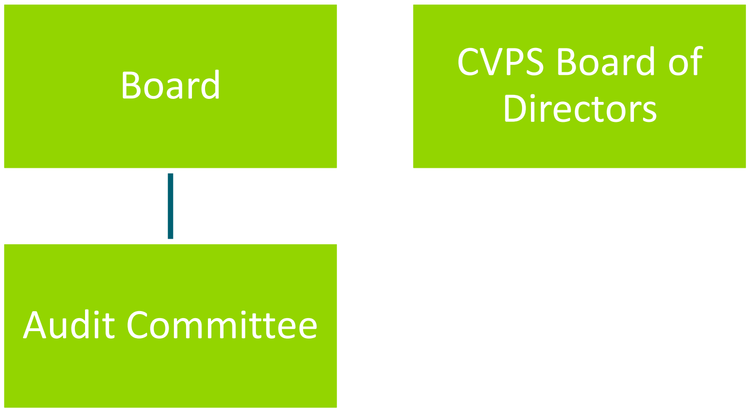
Appendix 3 – Loan Balance Profile

Year	Facility A £000	Facility B £000	Canada Life £000	New Money £000	Total £000
2022	59,900	10,000	70,000	0	**139,900**
2023	56,820	10,000	70,000	0	**136,820**
2024	53,620	10,000	70,000	0	**133,620**
2025	55,420	10,000	70,000	0	**135,420**
2026	51,639	10,000	70,000	0	**131,639**
2027	46,654	10,000	70,000	0	**126,654**
2028	41,711	10,000	70,000	0	**121,711**
2029	36,621	10,000	70,000	0	**116,621**
2030	31,498	10,000	70,000	0	**111,498**
2031	21,423	10,000	70,000	0	**101,423**
2032	16,190	0	70,000	30,000	**116,190**
2033	0	0	70,000	30,000	**100,000**
2034	0	0	70,000	30,000	**100,000**
2035	0	0	70,000	30,000	**100,000**
2036	0	0	70,000	30,000	**100,000**
2037	0	0	70,000	30,000	**100,000**
2038	0	0	70,000	0	**70,000**
2039	0	0	70,000	0	**70,000**
2040	0	0	70,000	0	**70,000**
2041	0	0	70,000	0	**70,000**
2042	0	0	70,000	0	**70,000**
2043	0	0	70,000	0	**70,000**
2044	0	0	70,000	0	**70,000**
2045	0	0	70,000	0	**70,000**
2046	0	0	70,000	0	**70,000**
2047	0	0	70,000	0	**70,000**
2048	0	0	70,000	0	**70,000**
2049	0	0	70,000	0	**70,000**
2050	0	0	0	0	**0**
2051	0	0	0	0	**0**

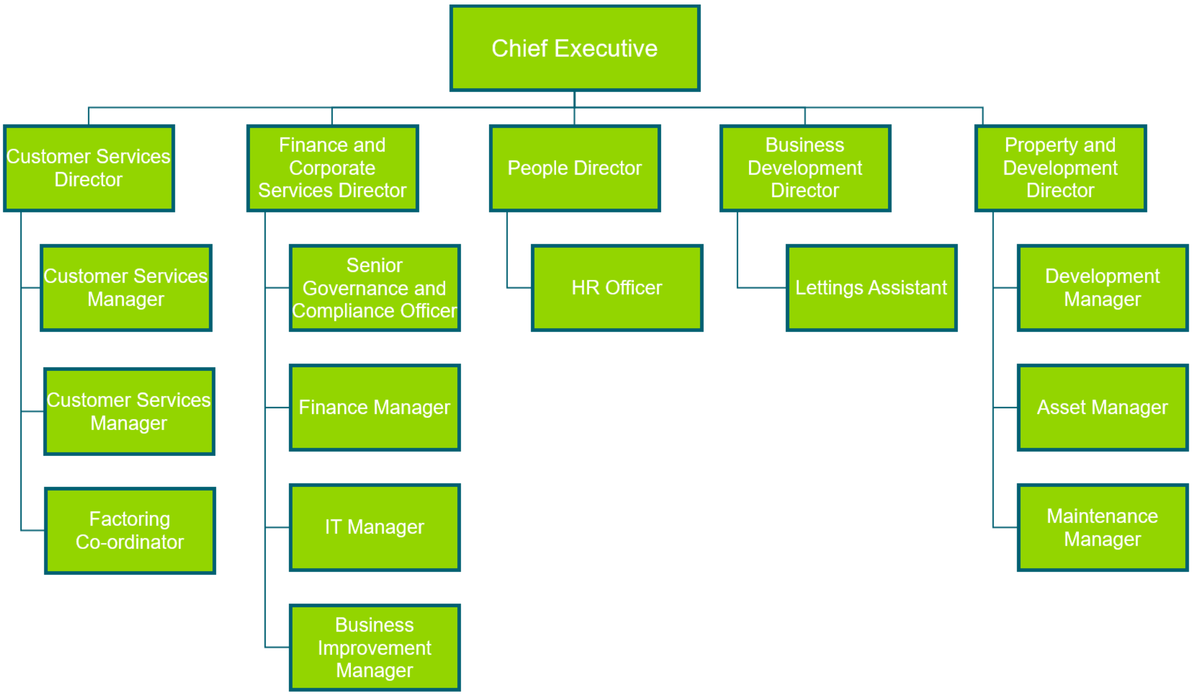
Peak debt is in 2022. Facility A & B mature on 31st March 2032 and it is assumed that there will be a refinance event at that point. However, the subsequent loan tranche is indicative and may be superseded by a different funding structure.

Appendix 4 – Governance and Organisational Structure

Clyde Valley Group
Governance Structure



Organisational Structure



SWOT ANALYSIS

Strengths • Customer satisfaction/CSE accredited • Positive culture of strong Employee engagement and attitudes • CRM System • Contact Centre • Quality of Boards and Leadership • CVPS subsidiary's increasing financial and wider contribution • Governance Assurance/Systemic profile and scale of influence • Track record and investment in new supply growth • Focus on regional base and 1 local base • Strong established relationship with LA Partners and other stakeholders • Good quality/age profile of stock • Office premises/employee offer • Health and Safety track record	**Weaknesses** • Limited capacity/financial covenants in short/medium term to invest in business improvement • Customer engagement strategies need to demonstrate increasing influence on what we do and how we do it • Customers in older homes want to see increased levels of 'cosmetic' investment in pre 1998 homes and this is costly and can only be done during void period
Opportunities • Our new Corporate Plan, and supporting strategies, and level of positive engagement • New EMT and Board Members, fresh perspective • Increased innovation and digital/technology • Reduced rent increases • Ability to save time, effort, duplication through reviewing systems and increasing automation • Cost savings via increasing focus/joint working • Local Authority future plans • Seek more external subsidy/grants • New repairs contract – service improvements • New build supply pipeline potential	**Threats** • Universal Credit and welfare benefit impacts on rental income • Competition from other RSLs and employers with a better employee offer • Increasing compliance –regulatory and legal