

Regulation Plan

This Regulation Plan sets out the engagement we will have with Sanctuary (Scotland) Housing Association Ltd (Sanctuary Scotland) during 2011/12. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Sanctuary Scotland became a registered social landlord (RSL) in 1998. It is a charitable subsidiary of the English registered social landlord, Sanctuary Housing Association. All of Sanctuary Scotland's staff are employed by the parent RSL, which also provides all services to it.

Sanctuary Scotland operates across nine different local authority areas but the majority of its stock is in Glasgow and in Dundee. It currently owns and manages around 2,360 housing units and provides a factoring service to approximately 471 houses. It has grown through new build development and stock transfers and has undertaken substantial regeneration work in the areas where stock was transferred to it. Its turnover to the year ending 31 March 2010 was over £7.8million. It has one non registered subsidiary, Access Apna Ghar Housing Association Ltd.

Sanctuary Scotland is one of the largest developers of new social housing in Scotland and has received significant public subsidy in the form of housing association grant (HAG). It will receive further funding this year to contribute to its development work. The RSL has several large development projects underway and planned including a large demolition and new build programme at Anderston in Glasgow to provide over 400 homes for affordable housing and shared equity and a joint development programme with Cumbernauld Housing Partnership (CHP) in North Lanarkshire (CHP is also part of the Sanctuary Group).

Sanctuary Scotland's programme also involves a significant contribution from the RSL's own resources including substantial amounts of front funding to deliver its new build projects. The RSL relies heavily on debt borrowed, in the main from its parent, to fund its large development programme. As at the end of March 2010, Sanctuary Scotland had a total debt balance outstanding of £77.6 million which translates into a debt per unit of over £32,660, the second highest debt per unit in the Scottish RSL sector though slightly reduced from the previous year. As a consequence of the planned increase in stock, total debt and total debt per unit are both forecast to rise commensurately.

In 2009, Sanctuary HA issued a bond through Sanctuary Capital PLC, its vehicle for capital market issues. We held constructive discussions with Sanctuary Scotland and its parent, Sanctuary HA to better understand the implications of the bond issue for Sanctuary Scotland and to review the group strategy and the relationship between parent and subsidiaries. We subsequently approved a Rule change to allow Sanctuary Scotland to benefit from this arrangement. Sanctuary Scotland provided us with further information in February 2011. We will write to the RSL about any further information we need.

Our engagement with Sanctuary Scotland - Medium

1. We will continue to need further business planning information from Sanctuary Scotland about its overall financial capacity and viability, in light of its development, investment and other activities and the debt obligations following from these. We will write to Sanctuary Scotland in April with any further information we need to complete our assessment based on the latest information we received in February 2011. Because it is a subsidiary organisation of an RSL registered with another regulator, we asked for information to better understand the regulatory risks this might create. We have received helpful clarification on this from Sanctuary Scotland and will continue these discussions.
2. The RSL should continue to alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
 - audited annual accounts and external auditor's management letter
 - loan portfolio return
 - five year financial projections
 - annual performance and statistical return

This plan will be kept under review and may be changed to reflect particular or new events. The engagement strategy set out in this plan does not restrict us from using any other form of regulatory engagement to seek additional assurance should the need arise. Our guides to how we regulate, inspect, and intervene and other relevant statistical and performance information, can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Sanctuary Scotland is:

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We have decided what type of engagement we need to have with this organisation based on information it provided to us. We rely on the information given to us to be accurate and complete, but we do not accept liability if it is not. And we do not accept liability for actions arising from a third party's use of the information or views contained in the Regulation Plan.