

Sanctuary (Scotland) Housing Association Ltd

28 March 2014

This Regulation Plan sets out the engagement we will have with Sanctuary (Scotland) Housing Association Ltd (Sanctuary Scotland) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Sanctuary Scotland became a registered social landlord in 1998. It is a charitable subsidiary of the English registered social landlord, Sanctuary Housing Association. All of Sanctuary Scotland's 50 staff are employed by the parent RSL, which also provides all services to Sanctuary Scotland.

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 2,628 homes and provides a factoring service to further 537 houses. Sanctuary Scotland 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 2013 was £10.6 million.

Sanctuary Scotland has reviewed its position within the Sanctuary Housing Group and is currently considering a constitutional partnership with Cumbernauld Housing Partnership (CHP) another subsidiary of Sanctuary Housing Group. We will assess Sanctuary Scotland's business case for this.

Sanctuary Scotland is a large developer of new affordable housing in Scotland and has received significant public subsidy. It plans to continue to grow through its development activities including housing for social rent and low cost home ownership. It has a joint development programme with CHP in North Lanarkshire and is supporting the delivery of Tenants First's Donside project (CHP and Tenants First are also part of the Sanctuary Group).

During 2013/14, we reviewed Sanctuary Scotland's financial returns and this provided us with assurance about its financial health. It also provided us with an update on its preparations for welfare reform and pension changes. We will continue to engage with it to understand how it plans to manage the key risks facing the sector and the impact these will have on Sanctuary Scotland. Given the level of Sanctuary Scotland's peak debt we consider it to be of systemic importance.

Our engagement with Sanctuary Scotland – Medium

We consider Sanctuary Scotland to be of systemic importance because of the level of its peak debt so we will have medium engagement with it in 2014/15.

1. We will:

- meet senior staff twice during the year to discuss progress against its business plan and any risks to the organisation; and
- meet the Chair during the year.

2. By 30 August 2014 Sanctuary Scotland will send us:
 - its Business Plan including commentary on results of sensitivity tests and risk mitigation strategies;
 - its 30 year projections consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants;
 - sensitivity analysis which looks at key risks such as, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases which demonstrate continuing affordability for tenants;
 - its report to the Board in respect of the 30 year projections; and
 - reports to the board on treasury management and a copy of the treasury management policy.
3. Sanctuary Scotland will send us:
 - the minutes of its governing body meetings each quarter and a report detailing its audit arrangements through the Sanctuary Group Audit Committee by the end of June 2014;
 - a report on impacts and actions relating to Welfare Reform by July 2014; and
 - an update on its development programme in July 2014.
4. We will:
 - give feedback on the business plan and financial projections in quarter three of 2014/15; and
 - review the minutes of the governing body and audit committee meetings.
5. Sanctuary Scotland should alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
 - audited annual accounts and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - Annual Return on the Charter.

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

Our lead officer for Sanctuary 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.