

Sanctuary Scotland Housing Association Ltd

20 September 2016

This Regulation Plan sets out the engagement we will have with Sanctuary Scotland Housing Association Ltd (Sanctuary Scotland) during the financial year 2016/17. Our regulatory framework 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.

In 2015 Sanctuary Scotland submitted a business case for the merger of the three Scottish subsidiaries of Sanctuary Housing Association. Earlier this year the tenants and members of Cumbernauld Housing Partnership and Tenants First agreed to become part of a merged Sanctuary Scotland. On 26 August 2016 Cumbernauld Housing Partnership (CHP) and Tenants First Housing Co-operative (TFHC) transferred engagements to Sanctuary Scotland.

The merged Sanctuary Scotland now operates across 11 different local authority areas with most of its homes in North Lanarkshire and Glasgow. It owns and manages around 6,500 homes and also provides a factoring service to over 1,700 owners. 89 staff work for Sanctuary Scotland. Sanctuary Scotland's turnover to the year ending 31 March 2015 prior to the merger was just over £13.3 million.

Systemic importance

We refer to a small number of RSLs as 'systemically important' because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate and the risks they face, so we seek some additional assurance through our regulation plans.

Given Sanctuary Scotland's size and level of debt, we consider it to be systemically important. We need to understand how it plans to manage the key risks it faces and the impact these may have.

Sanctuary Scotland is one of the largest developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. Sanctuary Scotland plans to continue to grow through a considerable programme of new homes for social and mid market rent and low cost home ownership.

We will continue to engage with Sanctuary Scotland to understand how it plans to manage the key risks it faces, including the scale of its development programme.

We will also engage with Sanctuary Housing Association to discuss our information requirements relating to the de-registration of CHP and THFC.

Our engagement with Sanctuary Scotland Housing Association Ltd – Medium

We consider Sanctuary Scotland to be of systemic importance and need to understand the key risks it faces. We will have medium engagement with it in 2016/17.

1. Sanctuary Scotland sent us in June 2016:
 - its approved business plan including commentary on the results of its sensitivity analysis and risk mitigation strategies;
 - 30 year financial projections consisting of a statement of comprehensive income, statement of financial position and statement of cash flow, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis which considers the keys risks including covenant compliance;
 - its report to the Board in respect of the 30 year projections and sensitivity analysis; and
 - evidence of how it demonstrates affordability for its tenants.
2. Sanctuary Scotland will send us:
 - quarterly copies of its governing body and audit committee minutes; and
 - an update on its development projects, including funding plans, timescales, completions and any material delay or changes, by 31 October 2016.
3. We will:
 - meet the board in quarter four to discuss its business model, strategy and the challenges facing the organisation; and
 - provide feedback on the business plan and projections by the end of November 2016.
4. We will engage with Sanctuary Housing Association to discuss our information requirements relating to the de-registration of CHP and THFC.
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 financial statements 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 Scotland Housing Association Ltd 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.