

Sanctuary Scotland Housing Association Ltd

31 March 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. All of Sanctuary Scotland's 32 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 3,035 homes and provides a factoring service to further 648 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 2015 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 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. Sanctuary Scotland has a joint development programme with Cumbernauld Housing Partnership in North Lanarkshire.

We have completed our assessment of the business case for the transfer of engagements of Cumbernauld Housing Partnership and Tenants First Housing Co-operative to Sanctuary Scotland. The tenants of Cumbernauld Housing Partnership and Tenants First Housing Co-operative have voted in favour of the transfer of engagements proposals. We will continue to engage with Sanctuary Scotland around the next steps of the transfer of engagements process. Sanctuary Scotland will keep us informed about the timetable for taking forward the transfer of engagements proposals.

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.

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 will send us by 30 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 two 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 August 2016.
4. We will continue to engage as necessary with Sanctuary Scotland as the transfer of engagements proposals progress. We will discuss with Sanctuary Scotland the specific information we need for this.
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.