

## Sanctuary Scotland Housing Association Ltd

### 29 March 2018

This Regulation Plan sets out the engagement we will have with Sanctuary Scotland Housing Association Ltd (Sanctuary Scotland) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Sanctuary Scotland was registered as a social landlord in 1998. It is a charitable subsidiary of the English registered social landlord, Sanctuary Housing Association.

Sanctuary Scotland grew in size in August 2016 when Cumbernauld Housing Partnership and Tenants First Housing Co-operative transferred engagements to Sanctuary Scotland. Sanctuary Scotland now operates across 11 local authority areas with most of its homes in North Lanarkshire and Glasgow. It owns and manages 6,635 homes including 160 shared ownership homes and is the fifth largest Registered Social Landlord (RSL) in Scotland. 79 people work for Sanctuary Scotland and it provides factoring services to 1,465 owners.

As at 31 March 2017 Sanctuary Scotland's turnover for the year was just under £25.87 million and its debt per unit was £32,000.

### 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 how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given a combination of Sanctuary Scotland's size and level of debt, we consider it to be systemically important.

### Engagement

During 2017 we reviewed Sanctuary Scotland's business plan and the group plan for Sanctuary Housing Association. We also looked at Sanctuary Scotland's 30 year projections and financial returns to get assurance about its financial health and we provided feedback on this. We engaged with senior staff to discuss the risks and challenges Sanctuary Scotland faces. When we met, Sanctuary Scotland told us it had reviewed its operating model and begun to implement changes across the organisation.

We also reviewed Sanctuary Scotland's asset management strategy and its approach to demonstrating affordability for tenants and gave feedback. Sanctuary Scotland has plans to further develop its asset management strategy and its approach to demonstrating affordability for tenants.

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 and to extend its geographic area of operation into Inverclyde. As a result, the number of affordable homes provided by Sanctuary will increase by just over a third over the next five years.

To assess the risk to social landlord services we have reviewed and compared the 2016/17 performance of all Scottish social landlords to identify the weakest performing landlords. We found that Sanctuary Scotland is in the bottom quartile for all social landlords in relation to overall tenant satisfaction, management of complaints and satisfaction with the repairs service. For these three indicators Sanctuary Scotland's performance is deteriorating. We will review Sanctuary Scotland's performance when we receive its ARC return in June 2018.

## **Our engagement with Sanctuary Scotland Housing Association Ltd in 2018/19 – Medium**

We will engage with Sanctuary Scotland because it is systemically important and about its development plans and service quality performance.

1. Sanctuary Scotland will send us by 30 June 2018:
  - its approved business plan including details of how this fits into the group business plan;
  - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
  - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resultant covenant calculations with the actual current covenant requirements;
  - report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
2. Sanctuary Scotland will send us:
  - copies of its Board and audit committee minutes as they become available; and
  - an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme
3. We will:
  - review the minutes of the Board and audit committee meetings;
  - review the business plan and financial projections for Sanctuary in quarter two of 2018/19;
  - meet with Sanctuary's senior management team in quarter three of 2018/19 to discuss the business plan, the financial information and any risks to the organisation;
  - meet with Sanctuary Scotland's Chair and governing body during the year; and
  - review Sanctuary Scotland's development update in quarter three of 2018/19.
4. 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;

- Annual Return on the Charter; and
- the return on the Energy Efficiency Standard for Social Housing.

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](http://www.scottishhousingregulator.gov.uk).

Our lead officer for Sanctuary Scotland Housing Association Ltd is:

Name: Kirsty Anderson, Regulation Manager  
Address: Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF  
Telephone: 0141 242 5547

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.