

Regulation Plan

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

Regulatory profile

Sanctuary (Scotland) HA Ltd (Sanctuary Scotland) houses over 2,200 tenants and operates across seven different local authority areas. It was registered in 1998 and is a charitable subsidiary of the English registered social landlord (RSL), Sanctuary Housing Association Ltd. All of Sanctuary Scotland's staff are employed by the parent RSL. Sanctuary Scotland currently has one unregistered subsidiary of its own, Access Apna Ghar Housing Association.

Sanctuary Scotland operates mainly in Glasgow (Pollok and Anderston) and in Dundee (Ardler) and has undertaken substantial regeneration work in the areas where stock was transferred to it. In April 2008 it also received 116 houses from Beechwood Co-operative in Dundee.

Sanctuary Scotland has grown through merger and development activity and its turnover was over £6.4 million for the year ending March 2008. It is projected to receive the second highest amount of public subsidy in the form of housing association grant over the next few years and the size of its programme means that it is expected that Sanctuary (Scotland) will increase its stock by around 40%. Its development programme is complex, involving 26 separate schemes and the programme funding involves a significant contribution from the sale of housing (around 25%).

Sanctuary Scotland has high operating costs and interest payments in comparison to its turnover, with the combination exceeding total turnover in the last two financial years. Given the scale of its current and potential future commitments we need to be assured that it has robust and sound plans to meet all its obligations.

In our regulatory plan for 2008 we noted that we needed further business planning information from Sanctuary. We have carried out an initial review of the information provided but we need some additional documentation to complete our assessment.

Earlier this year 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. These discussions will continue in the forthcoming year when we will review the group's Treasury Management policy.

Our engagement with Sanctuary Scotland - Medium

1. We need further business planning information from Sanctuary Scotland about its overall financial capacity and viability, in light of its development, investment and other activities. We will meet with Sanctuary Scotland by September 2009 about our precise requirements but this is likely to include:
 - sensitivity analysis around key assumptions
 - 30 year cash flows
 - management accounts
 - bank covenants
 - treasury management arrangements
2. We also want to examine Sanctuary Scotland's relationship with its parent and the parent's strategy for it and the group.
3. 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.