

Group Business Plan

2007-10



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Sanctuary Housing Association is an exempt charity under the Charities Act 1993
Registration details: Housing Corporation L0247 Industrial & Provident Society 19059R

Section 1:

Group plan

Introduction

Established in 1969, Sanctuary Housing Association is an Industrial & Provident Society registered with the Housing Corporation. Ours is a social enterprise with mainly social objectives, investing profits made back into the business or community rather than being driven by the need to increase returns for shareholders and owners.

As at September 2007, Sanctuary Group, with Sanctuary Housing Association as the parent company, comprises the following main subsidiaries delivering housing management, development, care and facilities management services:

- Asra Midlands
- Banbury Homes
- Beth Johnson Housing
- Charter Community Housing
- Hertford Housing
- Kingsmead Homes
- Rochford Housing Association
- Sanctuary Care
- Sanctuary Hereward
- Sanctuary Home Care
- Sanctuary Scotland
- Sanctuary Shaftesbury
- Sanctuary Management Services
- Sanctuary North
- Shiregreen Community Homes
- Spiral Developments



At our heart remains a traditional, large social housing association providing accommodation of different types of tenancies. We now own and manage 69,000 properties throughout the United Kingdom. This growth has resulted from recent mergers and acquisitions as well as further developing activities that support our main business, such as care homes, student and key worker accommodation.

Our range of activities reflects society's varied housing needs and includes:

- building and managing social housing
- carrying out major urban regeneration projects
- managing rented housing for other organisations
- building and managing care and supported homes
- building and managing student, key worker and market rent accommodation
- building housing for shared ownership and outright sale
- providing domiciliary care services

The nature of activities carried out is governed by our charitable rules and registration with the Housing Corporation.

We believe that a successful organisation is one which continues to develop as a business by moving forward.



Business profile

Overview September 2007

	September 2007
Accommodation	
Social Housing	58,612
Care Home bed spaces	1,791
Student & Key Worker bed spaces	9,093
Commercial Properties	122
Total	69,618
Staff	5,220
Loan Capital	£1,035m
Grant	£1,007m
Reserves	£375m
Turnover	£303m

Projected profile

Overview March 2010

	March 2010
Accommodation	
Social Housing	73,000
Care Home bed spaces	2,200
Student Key Worker bed spaces	10,500
Commercial Properties	150
Total	85,850
Staff	6,400
Loan Capital	£1,417m
Grant	£1,163m
Reserves	£414m
Turnover	£375m

Strategic drivers

We run our business based on simple, clear aims:

- to maximise financial capacity
- to maintain and improve the quality of services
- to increase the supply of services
- to recruit, train and retain the best staff

In setting our plans for the future we need to take account of external influences:

- changes in government policy
- demographic and socio-economic trends
- regulatory changes
- fluctuations in property values, inflation and interest rates
- changes in the competition and industry landscape
- developments in technology



Our prioritised targets to sustain a successful organisation include:

- integration and rationalisation following mergers and acquisitions
- maximising economies of scale in the procurement of goods and services
- maintaining and improving our stock
- continued development of Information Systems (IS) to make the business more efficient and effective
- investment in staff and creation of Group recognition framework

The following supplementary information is available in the notes to this plan:

- stock profile (Sanctuary Group)
- staff/diversity profile (Sanctuary Group)
- map showing locations and boundaries of our housing subsidiaries



“We run our business based on simple, clear aims”

Section 2:

Governance and executive management

Structure and roles

Sanctuary is governed by a Group Board overseeing all activities undertaken by the organisation and its subsidiaries. Its main purpose is to set the strategic direction and make sure that plans are in place to achieve our objectives. To ensure good governance the Group Board has approved and regularly reviews a framework of delegation and systems of control.

The Group Board is responsible for:

- making sure that all activities are governed properly
- agreeing strategic direction
- overseeing treasury functions
- appointing the Group Chief Executive
- appointing and removing board members at all levels
- approving subsidiary business plans, annual compliance and efficiency statements, and budgets
- deciding how surpluses and reserves are used
- making sure that high quality central services are provided to subsidiaries
- monitoring performance

The Group Chief Executive is an ex officio member of the Group Board and remaining Group Board Members are elected by the shareholders. Candidates for election to the Group Board are assessed against agreed criteria and supported for election by a scrutiny committee made up of representatives from subsidiaries and the parent.

In giving its views on nominees, the scrutiny committee is mindful of regulatory requirements and the need to ensure that the governing body has a wide range of skills, experience and sufficient diversity to be able to maintain effective control of a national multi-activity organisation.

The Group Board delegates day-to-day management of activities to the Group Executive. The Group Chief Executive appoints members of the Group Executive.

Consultation and review groups

To help the executive continuously improve and to make communications better within the organisation there are a number of consultation and review groups. The main ones are:

- national staff councils
- a policy and best practice review group
- a national residents forum

The following supplementary information is available in the notes to this plan:

- corporate strategies
- diversity policy & strategy extracts
- resident engagement strategy - policy extract
- company structure
- Group Board and Group Executive

Section 3:

Group support services

Introduction

Most corporate functions are based at our head office in Worcester and all central services provide support for operational activities.

Asset Management

The asset management team makes sure our existing properties are maintained in a good condition and modernised as necessary. The team also monitors the performance of the properties to ensure that they meet the demands of our customers. Methods used include stock performance assessments, stock surveys, and setting up efficient procurement arrangements.

We are working to make sure that the Group meets the Government's Decent Homes Standard by 2010.

Sanctuary has made a formal commitment to energy efficiency, striving to deliver affordable warmth to tenants and recognising that energy efficiency measures improve the quality of housing, helping to bring warmer, healthier homes to the old and vulnerable.



In asset management, the targets are to:

- reduce the percentage of repair work and increase planned maintenance as much as possible
- make efficient use of the linked stock condition and energy databases to make sure staff have access to the latest information
- reduce the range of elements used in our properties by negotiating national and regional agreements with manufacturers
- put in place and make use of a framework agreement between contractors, maintenance teams and the customer service repairs centre
- re-model and re-invest in stock to make sure it meets customer and market demands
- carry out option appraisals on poorly-performing stock, only disposing of social housing property as a last resort

Customer Service Centre

The majority of our residents order repairs via our Customer Services Centre (CSC) based in Hull providing a 24-hour service for residents. This has already resulted in improved customer satisfaction and improved times for carrying out works. By having such a point of contact, the Group can provide a consistent repairs service to customers.

Our aim is to invest in more planned maintenance to reduce the number of repairs and volume of emergency work. Over the next three years, Sanctuary will:

- pro-actively manage each repair
- reduce the proportion of chase-up calls to the CSC
- offer a greater range of repairs options
- effectively communicate with and facilitate contractor management
- manage invoices efficiently



“Providing support to housing subsidiaries to deliver their targets”

Development

The Group’s development service makes sure that all areas of activity have appropriate support when a new build programme needs to be managed.

The last few years have seen a marked change in the environment in which registered social landlords operate including:

- changes in the supply and demand for social housing
- pressure for efficiency gains in the procurement of new housing and the ability of private developers to access affordable housing grants direct from the Housing Corporation
- desire to create mixed tenure sustainable communities and neighbourhoods
- the creation of Communities England and the continuation of channelling resources to fewer partners

The development department is focused on providing support to housing subsidiaries to deliver their targets for affordable housing whilst at the same time managing the growing commercial activities of the Group in the private residential and care sectors. Surpluses from the Group’s commercial activities help to deliver more affordable housing at lower grant rates.

Over the life of this plan, our development activity will concentrate on:

- those areas and markets where there is a lasting demand and where we can create profits to support our main objective of managing and maintaining social housing
- effectively managing Sanctuary’s development consortium in England comprising Group and non Group members
- creating an appropriate development consortium in Scotland to respond to Community Scotland’s requirements setting out a national procurement for social housing in Scotland
- maintaining a number of strategic partnerships with cost consultants, architects, planning supervisors and specialist engineers who have a successful track record with us and who are well-known and respected in the construction industry

Finance and Treasury

The department is responsible for all aspects of financial management for the organisation and its subsidiaries.

The intention is to allow the business to grow through careful financial management. Finances are managed through the yearly budget process and ongoing development of key performance targets. To plan for the longer term, the Group uses a financial forecasting model that is regularly reviewed in line with business needs.

The focus for the finance department is to provide quality services and accurate information to meet the needs of the business.

We see it as key to maintain financial strength, as evidenced by sound public credit ratings with international rating agencies Standard & Poor’s (A/Stable) and Moody’s Investors Services (Aa2). We use our relationship with the rating agencies and their understanding of our business to gauge reaction to growth through mergers and acquisitions.

The finance department makes sure that appropriate internal processes are in place so the business runs efficiently. In protecting the Group’s financial resources, the department ensures that investment decisions are properly assessed and that appropriate financial returns are secured.

The treasury section manages loans as well as cash-flow requirements. This includes identifying cash requirements, withdrawing funds, managing asset security, arranging loan repayments, and making sure the terms of all loan agreements are met. The treasury section is also responsible for banking arrangements and the electronic banking systems.

During the next three years, the finance department will:

- put in place extra long-term private finance of £220 million
- prepare yearly budgets for both revenue and capital
- monitor progress against our budget and financial targets
- ensure compliance with all financial agreements
- review the Group’s financial planning model
- review the control environment



Human Resources

The department is responsible for all aspects of Human Resources (HR), including learning and development. The overriding HR strategy is to:

- recruit, hold on to and develop staff with the skills and expertise that we need
- make sure staff are properly supported and managed
- allow staff to develop personally and professionally so that we can achieve our business aims.

We plan to deliver this strategy by building on a set of lasting aims and principles that are linked together and that support day-to-day policy and practice. The individual strategic aims are as follows:

- organise and plan
- attract and select
- induct, train and develop
- manage and support
- reward and retain
- communicate and involve

Information Systems

We recognise that a continued commitment to the latest technology is critical to making sure that our service is excellent and cost-efficient. The Information Systems (IS) department is made up of four teams - Computer Services, Housing Systems Development and Support, Central Systems Development and Support, and Project Management.

The main areas to be developed by IS over the next three years are:

- putting into practice systems which assist our interaction with our customers
- expanding distance-learning technology to deliver training to people's desktops
- maintaining the integrity and security of our technology systems
- using cost effective up to date business applications throughout the organisation
- introducing interactive internet functionality to improve communication with partner organisations
- implementing a new business intelligence and management information strategy
- reviewing the introduction of voice and video capability over our data network
- introducing cost effective data archiving technologies to ensure optimum system performance and efficient use of resources
- extending where appropriate mobile and remote access to our business applications

“Putting into practice systems which assist our interaction with our customers”



Internal Audit

Reporting to the Group Chief Executive, Internal Audit provides assurance that the Group has an adequate internal control framework that is operating effectively, and that business risks are properly managed.

Internal Audit checks that:

- corporate objectives are met
- assets are safeguarded
- policies, procedures and regulations are complied with
- information is reliable
- resources are used efficiently and effectively.

Internal Audit is an integral part of the Group's corporate governance framework and provides independent and objective opinions on all operations.

Its organisational status and relationship with the Group Audit Committee means that Internal Audit remains independent and properly resourced, with access to all areas and support from senior directors and that members see reports acted upon.

Internal Audit will continue to:

- develop and maintain the audit strategy and rolling five-year internal audit plans which are approved by Group Executive and the Group Audit Committee
- issue reports that are balanced and which include management responses
- carry out planned audits of activities and then follow-ups to confirm implementation of agreed recommendations
- carry out continuous audits which review a number of activities in an office or scheme
- help management to deter and detect fraud and maintain the Group Fraud Register and investigate any incidents of whistle-blowing that are reported to the Group Internal Audit Manager
- carry out ad hoc audits at the request of the Group Chief Executive

Policy and Compliance

The purpose of this function is to develop and put in place appropriate modelling systems to identify and evaluate subsidiary performance, driving the value for money agenda and the improvement of services. Performance analysis alongside policy development provides support to the subsidiaries as the Group moves forward with the review of services and targeted growth.

This team provides policy development, research and information services to the Group with responsibilities to:

- ensure continuous awareness about regulatory requirements
 - keep policies and procedures up to date at all times
 - develop new policies
 - identify and make available good practice guidelines
 - provide a bespoke in-house research service
 - facilitate surveys and market research
- During the life of this plan, the department will:**
- integrate and harmonise service provision with every new strategic growth whilst striving for continuous improvement
 - extend the services more extensively to non social housing business units

“Efforts are being made to shape services around customer needs”



Quality Assurance

Quality Assurance continuously tests services provided against the perceptions of our customers and assesses whether business plans and other initiatives are delivering the planned improvements.

The department's role is to assess the quality of the built and social environment on developments and the neighbourhoods in which we work. They look at the effectiveness of services from customers' and partners' points of view and against regulatory compliance and industry best practice.

Quality Assurance currently focuses on the social housing businesses in England and Scotland but, over the life of this business plan, the section will extend its area of responsibility to include the other subsidiaries within the Group.

Quality Assurance reviews involve step by step assessments of services provided, how customers perceive them and what efforts are being made to shape services around our customers' needs. The process involves desk research, interviews, observations and reality checks.

During the life of this plan, the department will:

- extend the services to all Group business units and functions
- allow for reactive assessments based on performance, customer feedback and satisfaction levels
- carry out short notice inspections and visits to estates for assessments

Risk Management

The Group takes a robust approach to Risk Management. The strategy is to set the policy and procedure centrally in consultation with individual business units. This makes sure that a common approach to risk is applied across the Group.

All business risks are identified and, where appropriate, action is taken to mitigate the risks as far as possible. Risks are continuously assessed within the organisation as a normal operational and decision-making function. Risk maps are produced for all the businesses. These are developed by the managements of the businesses with assistance from the central risk function and are then scrutinized by the Group Audit Committee. Specific risk maps are also produced when a particularly large acquisition or project is being considered to allow all the risks of significant initiatives to be clearly identified and addressed.



Group Risk Management is covered by:

- the capital finance section, which has responsibility for assessing all capital projects using a series of standard appraisal models for each major category of scheme
- the insurance section, which procures insurance on behalf of the Group and liaises with brokers or insurers as appropriate to protect the Group's interests in the management of claims
- the health and safety (H&S) section, which drafts and reviews the Group's policy on the subject and assists individual businesses with local H&S management
- and the legal services section, which manages the approved panel of solicitors and makes sure that legal commitments have been subjected to an appropriate approval process prior to documentation being signed

The following supplementary information is available in the notes to this plan:

- staff profile (Central Services)



“The Group takes
a robust approach
to Risk
Management”

Section 4:

Social Housing

Introduction

Ours is a leading social housing organisation meeting a wide range of housing needs for families, single people and couples without children, older people, and people who need extra support to continue to live independently. We manage around 60,000 properties in over 200 local authorities throughout England and Scotland. Social housing remains our core business and we provide a service tailored to suit the diverse needs of our residents and business partners.

Business profile

Social Housing

	March 2003	March 2007	March 2008	March 2010
Turnover	£111.9m	£142.0m	£222.0m	£282.2m
Staff	1,100	1,500	2,350	2,900
Units	30,026	42,242	58,808	73,000
Operating Surplus before Interest	£34.5m	£50.2m	£73.0m	£92.0m



“Social housing
remains our
core business”

We have identified a number of significant challenges:

- changing demographics in terms of ethnic and age diversity
- housing market movements
- government policy in relation to benefits
- the creation of Communities England, with an effect on land usage and regulation
- the illusion of competitiveness amongst housing associations, which is in reality a competition to subsidise housing schemes from association's own resources
- the changing Decent Homes Standard and the unreality of some criteria
- the inability of the regulatory system to facilitate the takeover of ailing organisations without the requirement to meet the aspirations of those responsible for the organisation's failure

In summary, our social housing plan will focus on the following in the light of the operating environment and our own objectives:

- delivering good quality services to residents to enable the expansion of social housing activities. Our performance standards are best demonstrated by external assessments and recognition. We place considerable value on retaining and improving our public standing through:
 - Housing Corporation Assessment
 - Audit Commission inspection
 - TPAS quality standard
 - Centre for Sheltered Housing Studies Code of Practice
 - Foyer Federation accreditation
 - Association of Retirement Housing Managers Compliance
- running an efficient and cost effective organisation by using economies of scale afforded by size and national coverage in terms of procurement and operations
- investing in our stock by extending existing condition evaluation methodology to new acquisitions as soon as possible

- playing our part in the Government's 'neighbourhoods and communities' and Respect agendas with further investment beyond bricks and mortar in resident engagement and local initiatives
- ensuring effective grant funded development programme management as the lead partner of a large consortium
- identifying and working with communities and key stakeholders to deliver large scale urban regeneration projects to budget and to timetable
- retaining social housing but being open to consideration of rationalisation of holdings in particular areas if retention is to the detriment of services to tenants

"We place considerable value on retaining and improving our public standing"



The following supplementary information is available in the notes to this plan:

- stock profile (social housing portfolio)
- tenant profile, which assists in shaping services according to diversity, gender, household composition and vulnerability
- staff profile, showing diversity of operational staff
- targets for key performance indicators, showing continuous improvement
- re-investment programme

Section 5:

Care

Introduction

Sanctuary's care operations incorporate the running of registered homes, extra care schemes, domiciliary care services, and supported housing. We are committed to providing high quality services and increasing our portfolio where doing so will add value to our operations.

Business profile

Care and Supported Housing

	March 2003	March 2007	March 2008	March 2010
Turnover	£9.7m	£51.5m	£55.4m	£65.8m
Staff	494	2,400	2,625	3,200
Units	435	1,656	1,791	2,200
Operating Surplus before Interest	£0.9m	£2.9m	£4.4m	£5.6m

There are a number of external factors impacting on our development of this activity:

- changing demographics in terms of ethnic and age diversity
- government policy in relation to funding via Social Services and Supporting People
- rising demand for domiciliary and extra care provision
- the recruitment and retention of good staff
- the inconsistent application of regulation



Our care and supported housing plan will focus on the following in the light of the operating environment and our business objectives:

- sustaining a financially viable operation by maximising occupancy and controlling costs
- maintaining and improving performance standards through the establishment of a specific quality assurance function
- benefiting further from increasing economies of scale and membership of Group in terms of procurement of goods and services
- assessing our portfolio to manage planned investment for modernisation or improvement to ensure it is fit for purpose
- pursuing growth opportunities in terms of both acquisitions and new build, particularly but not exclusively in the south east, south west, and southern Midlands areas
- investing in staff training to meet the needs of customers and regulatory requirements
- providing cost effective hotel services to increase customer satisfaction further by bringing catering in-house where it is appropriate to do so
- promoting the customer's voice using improved and relevant communication tools



“Pursuing growth opportunities in terms of both acquisitions and new build”

The following supplementary information is available in the notes to this plan:

- care portfolio
- staff profile (Sanctuary Care and Sanctuary Home Care)
- key performance indicators



Section 6:

Student and key worker accommodation

Introduction

Sanctuary provides a range of hard and soft facilities management services to universities and the NHS, including tenancy management, cleaning and security services, reactive and planned maintenance, and vacation services. These activities are carried out through Sanctuary Management Services, a separate subsidiary, with development and asset management support provided by the Group. Whilst supplementary to our core social housing operation, the management of student and key worker accommodation is a commercial profit-driven activity with returns re-invested in Group activities.

As at September 2007, Sanctuary is the UK's fifth largest commercial operator and largest registered social landlord operator in the management of UK student residences. We have grown by 40 per cent since 2004 at a time when the market is undergoing a substantial transition.

We see the following as critical to this area of our business:

- increase in competition within the higher education sector and pressure on the health service to recruit and retain key medical staff, leading to a greater demand for more accommodation of a higher standard
- funding constraints in both sectors making it more attractive to outsource existing accommodation and seek some form of private public partnership for new accommodation
- continued increased participation in Higher Education
- the potential reduction in the supply of private rented student accommodation as a consequence of Houses in Multiple Occupation legislation
- competition from speculative build companies with venture capital backing
- difficulties in securing sites and planning permission for the development of new accommodation
- moves towards partnerships where institutional investors contribute equity and share risks, but change dynamics and profit levels

Business profile

Student and key worker

	March 2003	March 2007	March 2008	March 2010
Turnover	£5.3m	£15.0m	£25.7m	£27.0m
Staff	112	260	275	300
Units	3,598	6,476	9,093	10,500
Operating Surplus before Interest	£3.0m	£4.9m	£8.8m	£9.2m

Our student and key worker accommodation plan will target the following:

- sustaining a profitable operation through close management of performance standards as demanded in contracts, and the efficient procurement of goods and services
- further refinement of life cycle schedules to ensure that properties remain well maintained and fit for purpose
- contributing to the development of surveys via university accommodation offices to assess customer satisfaction
- pursue those growth opportunities which generate a commercial return and are complementary to other areas of the Group's activities, by using skills and experience within the Group, and which do not require long-term capital investment from Sanctuary

The following supplementary information is available in the notes to this plan:

- accommodation portfolio (student and key worker)
- staff profile
- key performance indicators
- growth opportunities



“Using skills and experience within the Group to pursue growth opportunities”



 Sanctuary
Group