

Langstane Housing Association Ltd

28 March 2013

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2013/2014. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Langstane registered as a social landlord (RSL) in October 1977. It now owns and manages around 2,762 properties in Aberdeen City, Aberdeenshire and Moray and it employs 72 people. Langstane has charitable status and has one registered subsidiary, Next Step Homes Ltd. Its turnover for the year ended 31 March 2012 was around £9.5 million.

Langstane has been one of the largest developers of social housing in north east Scotland and has received significant public subsidy to help fund this. It plans to continue to grow through its development activities including housing for social rent and housing for mid-market rents through its subsidiary.

We have been engaging with Langstane in 2012/13 about its proposals for a constitutional partnership with Grampian Housing Association (Grampian). Langstane and Grampian have now decided not to pursue this option. We now need to review Langstane's financial information as an independent RSL. To get assurance we will review its business plan and projections, get an update on auto enrolment (33.3% of its staff were not enrolled at 31 March 2012) and ask for details of its plans to manage the welfare reform changes.

Langstane is currently discussing strategic partnership options with Grampian that may involve the establishment of new subsidiaries to undertake a range of services. We need to engage with Langstane and Grampian to understand the proposals and any risks involved.

Achieving the Scottish Housing Quality Standard (SHQS) is a key area of work for Langstane and it will have high planned maintenance spend in the two years before 2015. Langstane reported a high failure rate at 31 March 2012 and also that it will not fully meet the SHQS by 2015 (187 properties failing). It has a small set of data from which it has assessed how well meets SHQS and reports it will have a substantial number of exemptions in 2015. Langstane has recently completed a further stock condition survey and has improved its quality and cost information and now has a better understanding of the number of properties that will be exempt at 2015.

We have assessed Langstane's performance against key service quality measures. Langstane's reported performance for the percentage of former tenant arrears collected is poor and deteriorating. Its performance for percentage of current tenants rent collected is in the bottom quartile and deteriorating. Its performance for current tenants owing more than 13 weeks rent is improving although it remains in the bottom quartile.

Our engagement with Langstane – Medium

We will liaise closely with Langstane given its partnership proposals, development activities and its challenges around achieving SHQS and improving service quality.

1. By 30 June 2013 Langstane will send us:
 - the business plan and 30 year projections for both it and its subsidiary; consisting of income and expenditure statement, balance sheet and cash flows, plus sensitivity analysis and covenant calculations and results
 - an update on progress with auto enrolment; and
 - its plans to manage welfare reform including the impact on income, costs and assumptions for arrears and bad debts.
2. Langstane will keep us informed about its proposed partnership with Grampian.
3. We will review Langstane's SHQS performance when we receive the APSR in June 2013 and will discuss this with Langstane. Langstane will send us an update in quarter three on progress with its survey work and its investment programmes.
4. We will review Langstane's performance for service quality when we receive the APSR in June 2013. Depending on performance we may ask for further information to get assurance about progress.
5. Langstane 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 annual accounts and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections; and
 - 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 regulatory framework and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Langstane 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.