

## Langstane Housing Association Ltd

**28 March 2014**

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2014/2015. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### Regulatory profile

Langstane registered as a social landlord in October 1977. It now owns and manages around 2,611 properties in Aberdeen City, Aberdeenshire and Moray and it employs 80 people. Langstane has charitable status and has one registered subsidiary, Next Step Homes Ltd. Its turnover for the year ended 31 March 2013 was around £10.1 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 need to get a better understanding of the impact of this on its business and financial plans.

Achieving the Scottish Housing Quality Standard (SHQS) is a key area of work for Langstane and it reported that a very significant proportion of its stock still failed SHQS as at the end of March 2013. It has made good progress with planned upgrades of its properties during 2013/14 but still has a significant programme to complete involving a substantial investment programme in 2014/15. We will continue to engage with Langstane about SHQS.

We have assessed Langstane's performance against key service quality measures. Langstane's reported performance for the percentage of former tenant arrears collected, for percentage of current tenants rent collected and for the percentage of emergency repairs completed on time are all poor and deteriorating. Langstane has an action plan in place to address weaknesses in arrears management and it has seen some improvements in its performance over the past year. It is also reviewing its recording systems for its repairs service to improve the accuracy of its performance reporting.

As part of our annual risk assessment we have also considered Langstane's registered subsidiary and we have decided to have low engagement with Next Step Homes.

### **Our engagement with Langstane – Medium**

We will have medium engagement with Langstane about its overall financial capacity in light of its development and investment activities. We will also engage with it about its challenges around achieving SHQS and improving service quality.

1. Langstane will send us:
  - its Business Plan including commentary on results of sensitivity tests and risk mitigation strategies in April 2014;
  - its 30 year projections consisting of income and expenditure statement, balance sheet and cash flow, including covenant requirements and calculation of the loan covenants in April 2014;

- sensitivity analysis which looks at key risks such as, arrears levels and covenant compliance. We would also expect this to include analysis of a range of options for rent increases in April 2014;
  - the report to the Board in respect of the 30 year projections; and
  - confirmation when its contracts for the remaining SHQS contracts are let and an update report on SHQS investment progress in October 2014.
2. We will:
- review Langstane's SHQS progress when we receive the Annual Return on the Charter in May 2014 and in October when we receive its update report;
  - engage with Langstane about its service quality performance; and
  - meet Langstane in quarter one to discuss its Business Plan and in quarter three to discuss its projections, its SHQS progress and service quality.
3. 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 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](http://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.