

Langstane Housing Association Ltd

31 March 2015

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2015/16. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Langstane registered as a social landlord in 1977. It owns and manages around 2,646 properties in Aberdeen City, Aberdeenshire and Moray and it employs 87 people. It has charitable status and one registered subsidiary Next Step Homes Ltd. Langstane's turnover for the year ended 31 March 2014 was around £10.8 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 mid-market rent.

Achieving the Scottish Housing Quality Standard (SHQS) remains a key area of work for Langstane. Nearly 16% of its stock (413 properties) does not meet SHQS at 16 March 2015. Langstane has also told us about improvements it is making to its stock condition information and work is in hand to update Energy Performance Certificates (EPCs). We will continue to monitor progress with SHQS during 2015/16.

We reviewed Langstane's business plan and financial returns in 2014/15 to get assurance about its financial health. Langstane is developing its approach to business planning and we need to review its latest plan in 2015/16. Langstane has been reviewing its asset management strategy and we will review its strategy in 2015/16. Due to Langstane's development activities, investment in SHQS and revisions to strategic plans we need to review the impact of these issues on its business and financial plans.

We have assessed Langstane's performance against key service quality measures. Langstane's reported performance for the percentage of gross rent arrears of rent due is poor. During 2014/15 Langstane reviewed its processes for collecting rents and changed its approach we will liaise closely with Langstane to monitor its progress. Langstane's reported performance for the percentage of tenants satisfied with the overall service provided, the percentage of tenants satisfied with opportunities to participate in decision-making, the percentage of all complaints responded to in full and the average days to complete non-emergency repairs are all in the bottom quartile.

As part of our annual risk assessment we have also considered Next Step Homes Ltd the other registered social landlord in the Langstane group.

Next Step Homes Ltd.

Next Step Homes was registered as a social landlord in 1983 and owns and manages 111 homes including 69 shared ownership homes mainly in Aberdeenshire. It has one unregistered subsidiary Stockethill Homes Ltd. Next Step Homes turnover for the year ended March 2014 was £0.4 million.

Next Step Homes has told us that four of its properties fail SHQS at 31 March 2015. We have been engaging with it about SHQS and plans are in place to address these failures during 2015/16.

We have assessed Next Step Homes' performance against key service quality measures. Next Step Homes' reported performance for the percentage of tenants satisfied with opportunities to participate in decision-making, the percentage of tenancy offers refused, the percentage of lets to homeless people and percentage of gross rent arrears of rent due are all poor. Its performance for the percentage of complaints upheld and the average days to re-let empty properties are in the bottom quartile.

We have assessed Next Step Homes as requiring medium engagement. We have not published a separate regulation plan for Next Step Homes and our engagement with it will be included as part of our regulatory engagement with Langstane.

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 the challenges it and Next Step Homes face around achieving SHQS and improving service quality.

1. By 30 June 2015 Langstane will send us its:
 - approved business plan including commentary on results of sensitivity tests and risk mitigation strategies;
 - 30 year financial projections consisting of income and expenditure statement, balance sheet and cash flow, including calculation of loan covenants and covenant requirements;
 - 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 and inflation rates which demonstrate continuing affordability for tenants; and
 - reports to the Board in respect of the 30 year projections and sensitivity analysis.
2. Langstane will also send us:
 - a copy of its new asset management strategy when available;
 - quarterly updates from the end of July on Langstane and Next Step Homes' progress with SHQS;
 - an update on its plans for development, including funding plans, by 30 September 2015.
3. We will:
 - provide feedback on the business plans and projections for Langstane in quarter two of 2015/16;
 - provide feedback on the asset management strategy as appropriate;
 - review Langstane and Next Step Homes' SHQS progress when we receive the Annual Return on the Charter in May 2015 and quarterly thereafter when we receive its progress reports; and

- engage with Langstane about Langstane and Next Step Homes' service quality performance.
4. 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.

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.