

Langstane Housing Association Ltd

18 November 2016

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2016/17. 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 2,738 properties in Aberdeen City, Aberdeenshire and Moray and it employs 78 people. It has charitable status and one registered subsidiary, Next Step Homes Ltd. Langstane's turnover for the year ended 31 March 2016 was around £13.9 million.

Langstane is one of the larger developers of new affordable housing in Scotland and continues to receive significant public subsidy to help achieve this. Langstane plans to continue to grow through the provision of new homes for social and mid-market rent.

Achieving the Scottish Housing Quality Standard (SHQS) remains a key area of work for Langstane. The group has around 124 properties which do not currently meet the SHQS due to inefficient heating systems or poor energy efficiency ratings. Langstane has a contract in place to ensure that these properties will comply with SHQS next year. It has also developed an asset management strategy and plans to survey all of its stock on a four year cycle. This up to date information will feed into the asset management strategy.

Langstane is developing its approach to business planning and asset management and as part of this process is reviewing its group governance arrangements. Due to Langstane's development activities, significant SHQS programme and on-going development of its strategies, we will review its business and financial plans in 2016/17.

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

Next Step Homes Ltd.

Next Step Homes Ltd. (Next Step Homes) was registered as a social landlord in 1983 and owns and manages 107 homes including 65 shared ownership properties mainly in Aberdeenshire. It has one unregistered subsidiary, Stockethill Homes Ltd. which manages a small number of market rent properties. Next Step Homes turnover for the year ended March 2016 was £0.5 million.

We engaged with Langstane and Next Step Homes about service quality in 2015/16 and have received assurance about the improvements the group is making. We will next review Langstane and Next Step Home's service quality when we carry out the risk assessment for all RSLs in 2016/17.

As a result of the group governance review, Next Step Homes is currently considering proposals for a transfer of engagements to Langstane. We will engage with Langstane and Next Step Homes to consider the transfer proposal and seek assurance that the proposal is in the best interests of Next Step Homes' tenants.

Our engagement with the Langstane Group – Medium

We will have medium engagement with the Langstane Group about the development of its strategic and financial plans, its plans for meeting SHQS and the proposed transfer of engagements of its registered subsidiary, Next Step Homes.

1. Langstane has sent us:
 - its approved business plan for the group including commentary on the results of its sensitivity tests and risk mitigation strategies;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flows, including a comparison of projected loan covenants against covenant requirements;
 - sensitivity analysis which considers the key risks including covenant compliance;
 - its reports to the Board in respect of the 30 year projections and sensitivity analysis;
 - evidence of how it demonstrates affordability for its tenants;
 - an update on progress with the group's SHQS programme. It will send a further update by 31 January 2017;
 - a copy of its asset management strategy;
 - a business case for the Next Step Homes transfer of engagements; and
 - an update on its development programme including funding plans, timescales, completions and any material delay or changes.
2. We will:
 - meet with senior staff and the Chair to discuss Langstane's business model, strategy and the challenges facing the organisation in November 2016;
 - provide feedback on the business plan and financial projections and the asset management strategy at this meeting;
 - review progress with the SHQS programme and liaise as necessary; and
 - engage with Langstane about the business case for the transfer of engagements and any consent applications associated with this.
3. Langstane and Next Step Homes should alert us to notifiable events and seek our consent as appropriate. They should provide us with the annual regulatory returns we review for all RSLs:
 - audited financial statements 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.