

## **Langstane Housing Association Ltd**

### **2 November 2017**

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2017/18. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

### **Regulatory profile**

Langstane was registered as a social landlord in 1977. It owns and manages 2,814 homes in Aberdeen City, Aberdeenshire and Moray and employs 78 people. It has charitable status and one unregistered subsidiary, Stockethill Homes Ltd which manages a small number of mid-market rent properties.

In 2016 Langstane submitted a business case to us for the transfer of engagements of its registered subsidiary, Next Step Homes Ltd (Next Step Homes). In 2017, the tenants and members of Next Step Homes agreed to the proposed transfer and on 31 March 2017 Next Step Homes transferred engagements to Langstane.

As at 31 March 2017 Langstane's turnover for the year was just over £14.8 million and its debt per unit was £15,396.

### **Engagement**

During 2016/17, we reviewed Langstane's business plan, supporting financial information and asset management strategy to gain assurance around its strategic direction and financial capacity to deliver its objectives. We met with Langstane's Chair and senior management team to discuss its plans and the key risks and challenges it faces.

This year Langstane will review its approach to business planning and alongside this will update its development, rent affordability and procurement strategies. Langstane has an on-going development programme of new affordable housing and plans to grow through the provision of new homes for social and mid-market rent. Langstane continues to receive significant public subsidy for new development and is currently reviewing its funding strategy to ensure it can deliver its plans for new affordable housing.

Achieving the Scottish Housing Quality Standard (SHQS) also remains a priority. As at 30 September 2017 Langstane had 61 properties which did not meet 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 by the end of 2017.

Following on from the recent transfer of engagements, Langstane is currently progressing the formal de-registration of Next Step Homes as a social landlord.

Earlier this year Langstane became aware of weaknesses in its approach to financial and treasury management. Langstane commissioned an independent investigation in June 2017

which identified a number of weaknesses in its approach to financial management, reporting and control.

Langstane recognised the serious nature of the issues raised by the investigation and the risk they present to tenants interests. Langstane has worked openly with us while it addresses the weaknesses and is implementing a detailed action plan to deliver the required improvements in financial management. As part of this plan, Langstane will also assess its overall compliance with the Regulatory Standards of Governance and Financial Management.

### **Our engagement with Langstane Housing Association Ltd in 2017/18 – Medium**

We will engage with Langstane about the development of its strategic and financial plans, its financial capacity to achieve its objectives, its plans for meeting SHQS, the de-registration of Next Step Homes and the actions it will take to assess and ensure compliance with the Regulatory Standards.

1. Langstane has provided its most recent annual update to its business plan along with supporting financial information. It has also provided updates on progress with implementing its asset management strategy including meeting SHQS, developing its rent affordability strategy and developing its long term funding strategy, including the advice it is taking on this. We will:
  - review progress with the SHQS programme and engage as required;
  - discuss the development of its overall funding strategy and engage as required;
  - meet with senior staff and the Chair to discuss Langstane's business plan and strategies and the challenges facing the organisation in quarter three; and
  - provide feedback on its plans and discuss the financial information and its funding strategy at this meeting.
2. Langstane will provide an update on its development strategy including:
  - an update on the current development programme including funding plans, timescales, completions and any material delay or changes by 10 November 2017; and
  - progress with reviewing the development strategy by 28 February 2018.We will review progress and liaise as necessary.
3. Langstane applied to us for the formal de-registration of Next Step Homes in September 2017. We will engage as required with Langstane about the de-registration of Next Step Homes
4. Langstane will provide monthly updates on progress with the financial management action plan and any further updates as required. We will:
  - discuss progress with the action plan with senior staff monthly and discuss any further updates as required; and
  - as part of this process, discuss how Langstane will assess compliance with the Regulatory Standards and the timescales and outcomes from this. We will engage with Langstane as necessary to address any issues arising out of this work.

5. Langstane should alert us to notifiable events and seek our consent as appropriate. Langstane 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;
  - Annual Return on the Charter; and
  - the return on the Energy Efficiency Standard for Social Housing.

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 Housing Association Ltd 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.