

Langstane Housing Association Ltd

31 March 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 registered as a social landlord in 1977. It owns and manages 2,738 homes in Aberdeen City, Aberdeenshire and Moray and employs 78 people. It has charitable status and one registered subsidiary, Next Step Homes Ltd and one unregistered subsidiary, Stockethill Homes Ltd which manages a small number of mid-market rent properties.

As at 31 March 2016 Langstane's turnover for the year was just over £13.9 million and its debt per unit was £15,113.

Engagement

Langstane has recently reviewed its approach to business planning, asset management and group governance. During 2016/17 we reviewed its 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 focus on implementing its plans and will complement them with revised development, affordability and procurement strategies. In terms of asset management, key areas of work will include delivery of the four-year cycle stock condition survey, implementation of a new stock database and an assessment of stock performance. Achieving the Scottish Housing Quality Standard (SHQS) also remains a key focus. Langstane has 114 properties which do 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 Autumn 2017.

Langstane has an on-going development programme of new affordable housing. Langstane is currently finalising its development strategy and plans to grow through the provision of new homes for social and mid-market rent. Langstane continues to receive significant public subsidy and is currently reviewing its long term funding strategy to ensure it can achieve its plans for providing new affordable housing.

As part of our annual risk assessment we have also considered Next Step Homes Ltd (Next Step Homes). We have not published a separate regulation plan for Next Step Homes and our engagement with it is included in this plan.

Next Step Homes is progressing proposals for a transfer of engagements to Langstane early in 2017/18. We have completed our assessment of the business case and tenants

confirmed their support for the transfer earlier this year. We will continue to engage with Langstane and Next Step Homes around completing the transfer to ensure that it is in the best interests of Next Step Homes' tenants.

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 and the proposed transfer of engagements of its registered subsidiary, Next Step Homes.

1. Langstane will send us by 30 June 2017:
 - details of any annual updates to its business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flows;
 - a comparison of projected loan covenants against covenant requirements;
 - financial sensitivity analysis which compares the resulting covenant calculations with the current covenant requirements, together with risk mitigation strategies;
 - reports to the Board in respect of the above;
 - an update on progress with the SHQS programme;
 - an update on progress with developing its affordability strategy; and
 - an update on the implementation of its asset management strategy.
2. Langstane will send us by 30 September 2017:
 - a copy of its development strategy;
 - an update on progress with its long term funding strategy, including the advice it is taking on this; and
 - an update on its development programme including funding plans, timescales, completions and any material delay or changes.
3. Langstane and Next Step Homes will continue to keep us informed about progress with the transfer of engagements and provide us with information as required.
4. We will:
 - meet with senior staff and the Chair to discuss Langstane's strategies and the challenges facing the organisation in November 2017;
 - provide feedback on its plans and discuss the financial information at this meeting;
 - review progress with the SHQS programme and liaise as necessary; and
 - continue to engage with Langstane and Next Step Homes about the transfer of engagements.
5. 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;
 - 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.

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.