



# Langstane Housing Association Ltd

## 10 December 2018

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2018/19. 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 2,880 homes in Aberdeen City, Aberdeenshire and Moray and employs 82 people. It has charitable status and one unregistered subsidiary, Stockethill Homes Ltd. which manages a small number of mid-market rent properties.

As at 31 March 2018 Langstane's turnover for the year was over £14.8 million and its debt per unit was £14,775.

### Engagement

During 2017/18 we engaged with Langstane around the implementation of its business plan and asset management strategy, including its progress towards achieving SHQS compliance for the remaining non-compliant properties. We also reviewed its supporting financial information to gain assurance about its strategic direction and financial capacity to deliver its objectives.

Langstane has been one of the larger developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. We also engaged with Langstane about its plans to raise additional funding to support its business strategy and development plans.

Around 18 months ago Langstane became aware of weaknesses in its approach to financial management and control, and in particular the provision of accurate and timely financial information to its leadership team, governing body and key stakeholders. Langstane engaged openly with us and commissioned an independent investigation into this. It then developed and implemented an action plan to address the findings of the investigation.

Langstane has more recently become aware of further failings in its business and financial planning, control and monitoring framework which have resulted in the reporting of inaccurate financial information. As a result, the organisation's leadership has been unable to monitor and accurately report on its financial position or the delivery of its plans. And it has been unable to prevent serious breaches of policy from occurring and has failed to detect them timeously when they have occurred.

Langstane acknowledges the serious failings in its systems of governance and financial planning, management and control. It is continuing to engage openly and constructively with us as it develops its strategy to address the weaknesses and ensure compliance with the Regulatory Standards of Governance and Financial Management. It also recognises that it

needs to quickly address the gaps in its leadership and governance capacity to allow it to deal with these issues.

Langstane is taking some immediate steps to address the serious and urgent risks to the organisation's financial position and we are continuing to engage closely with Langstane about the actions it is taking. It is putting in place measures to deal with its short term funding requirements and will develop a sustainable medium and long term treasury strategy that is consistent with a revised business plan. It has commissioned an independent review of its financial planning and management information to ensure that it always has access to accurate and up-to-date financial information. It is also arranging interim financial planning and management support and ongoing treasury advice.

Langstane will also commission an independent review of its governance and financial management to assess compliance with the Regulatory Standards. This will prioritise a review of compliance with Standard 3 (the RSL manages its resources to ensure its financial well-being and economic effectiveness) and will include an investigation into the financial planning and management policies, processes and practices that have caused its current financial and governance issues.

Langstane currently has eight governing body members. It recognises that it needs additional members with appropriate skills and expertise to strengthen its governing body and will co-opt two members. It will also carry out a skills-based recruitment exercise after the governance review has been completed.

### **Our engagement with Langstane Housing Association Ltd in 2018/19 – High**

We will continue to engage closely with Langstane to gain assurance about its governance and financial management and about its financial position.

1. Langstane will:
  - progress its short-term funding strategy to the required timescales and engage with us about this;
  - co-opt two members with appropriate skills and expertise to its governing body;
  - send us its strategy for addressing both the urgent risks to its business and also the broader weaknesses in its governance and financial management and continue to engage with us about each aspect of the strategy;
  - send us weekly cash-flows and quarterly management accounts on an ongoing basis;
  - commission an independent review of compliance with the Regulatory Standards including an investigation into the financial planning and management policies, processes and practices that caused its current financial and governance issues. Langstane will agree the remits and share the findings of these reviews with us;
  - develop and implement an improvement plan based on the findings of the reviews and will progress any other required actions; and
  - review and implement a revised business and funding strategy.
2. We will continue to engage closely with Langstane as it develops and implements its strategy to address the weaknesses in its governance and financial management. We may amend our regulatory strategy as a result of our engagement.

3. Langstane will also send us an update on progress towards SHQS compliance by 28 February 2019. We will review SHQS compliance in quarter four and engage with Langstane on this as required.
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 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.