

Regulation Plan

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd. Our *Guide to How We Regulate* explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Langstane Housing Association is a long established registered social landlord (RSL), registered in October 1977. It owns around 2,600 housing units in Aberdeen City, Aberdeenshire and Moray and it employs 77 staff. Its turnover for the year ended 31 March 2008 was around £6.8 million. Langstane is an Industrial and Provident Society and a registered charity. It has one registered subsidiary, Next Step Homes Ltd.

Langstane is a developing RSL and will receive public subsidy in the form of Housing Association Grant (HAG). It currently has three schemes containing 44 low cost home ownership units which are due for completion during 2009/10.

In its Annual Performance and Statistical Return (APSR) for 2008/09, Langstane reported that approximately 71% of its stock did not meet the Scottish Housing Quality Standard (SHQS). While it reported a reduction in the proportion not meeting the SHQS from the 2007/08 return, this did not appear to be consistent with its report that no properties were brought up to standard in 2008/09. It also reported no programme for 2009/10. We need to clarify these figures with Langstane.

We inspected Langstane in January 2008 and concluded that it had improved its performance since the previous inspection in some areas but not all. We awarded a fair grade (C). Langstane agreed an improvement plan with us. We will assess progress against this in July 2010.

Langstane's reported performance (as set out in its 2008/09 APSR) in collecting rents and re-letting empty properties has deteriorated. Its total rent arrears as a percentage of gross debit is among the worst in the sector and its average turnaround for empty properties places it in the poorest 20 performers. While it has made improvements to the completion of repairs it also remains within the 20 poorest performers for completion of routine repairs. We need further assurance that Langstane has robust plans to address these issues.

Langstane is currently in discussions with Grampian HA about forming a group structure. We will assess these plans to ensure that the proposals make good business sense and will benefit tenants.

Our engagement with Langstane Housing Association – Medium

1. Langstane should continue to liaise with us to seek our regulatory views on its group structure proposals. We will need to understand the impact the proposed new structure will have on Langstane's business and services to tenants. So we expect it to tell us about:
 - the results from any tenant consultation process and any issues which emerge from this;

- any changes to its current business plan objectives and financing requirements; and
 - any risks associated with the proposed change and the steps it is taking to manage these risks.
2. We also need further assurance that Langstane can meet its SHQS obligations and deliver its development programme. We will liaise with Langstane about our exact requirements but these will include full 30 year cash flow projections, an updated programme for delivery of the SHQS, and details of its bank covenants. The information should be provided to us by the end of August 2009 and we will review this and determine our further engagement activity by the end of October 2009.
 3. We will continue to monitor progress towards the completion of Langstane's improvement plan. Given our concern about rent income collection and void turnaround, we will ask Langstane to provide us with a written report about how it intends to address deteriorating performance. We expect this to be provided by the end of August 2009. Once we have reviewed this, we will determine any further regulatory engagement.
 4. Langstane should continue to 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
 - annual performance and statistical return

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 guides to how we regulate, inspect and intervene 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.