

## Dumfries and Galloway Housing Partnership

### Regulatory Status:

We have not included a regulatory status in this box. After we receive the first annual Assurance Statements in October 2019 from all landlords and complete our annual risk assessment we will give Registered Social Landlords (RSLs) a regulatory status in line with our Regulatory Framework.

### Why we are engaging with Dumfries and Galloway Housing Partnership (DGHP)

We are engaging with DGHP because it is a **systemically important** landlord and about its **governance, financial health** and **stock quality**.

We refer to a small number of RSLs as systemically important because of their stock size, turnover or level of debt or because of their significance within their area of operation. We need to maintain a comprehensive understanding of how their business models operate; how they manage the risks they face and the impact these may have. So we seek some additional assurance through our engagement plans. Given DGHP's size, turnover, level of debt and geographic importance, we consider it to be systemically important.

DGHP appointed an interim Chief Executive last year following an investigation which identified serious weaknesses in relation to organisational culture, management and leadership. The investigation also highlighted misconduct issues, limited understanding of conflicts of interest and poor handling of these and of grievances and settlement agreements. DGHP removed its Chair from the Board following an investigation into payments and benefits.

The interim Chief Executive has commissioned broad ranging, independent reviews of the organisation's governance and strategic direction and purpose. The objective of this work is to ensure DGHP has the governance structures, skills and capacity to deliver an appropriate, sustainable strategic direction and full compliance with regulatory standards of governance and financial management.

Since his appointment the interim Chief Executive has identified further issues of non-compliance with health and safety requirements and the accuracy of DGHP's stock condition and performance information. Because of this we require further assurance about DGHP's long term financial sustainability.

DGHP has been one of the larger developers of new affordable housing in Scotland and has received significant amounts of public funding to help achieve this. Development and other investment projects have been subject to significant delays and refocussing this will be a priority for the interim Director of Investment and Regeneration who took up post in January.

## What DGHP must do

DGHP must:

- update us regularly on progress with:
  - the governance and strategic reviews and resultant improvement plans;
  - its programmes of health and safety work; and
  - assurance on the accuracy of its stock condition and performance information.
- send us by 30 June 2019:
  - its refreshed business strategy and the report to the Board including an updated risk register;
  - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
  - a comparison of projected financial loan covenants against current covenant requirements;
  - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
  - the report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.
- provide copies of its Board and audit committee minutes as they become available;
- send us an update on its development programme by 31 October 2019. This will include details of the scale and tenure mix, timescales for delivery and any material delays or changes to the programme; and
- tell us if there are any material adverse changes to its plans which might affect its financial position or reputation, in line with our notifiable events guidance;

## What we will do

We will:

- meet the interim Chief Executive as required to receive updates on progress;
- review the outcomes from the governance review and the review of its strategic purpose and direction and consider our future regulatory strategy;
- review the business plan, risk strategy and financial projections;
- meet the Board following conclusion of the governance and strategic direction reviews to discuss the findings and the steps needed to address them; and
- review the minutes of the Board and audit committee meetings and liaise as necessary.

## Regulatory returns

DGHP must provide us with the following annual regulatory returns and alert us to notifiable events as appropriate:

- Annual Assurance Statement;
- 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.



**[Read more about Dumfries and Galloway Housing Partnership >](#)**

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