

Dumfries and Galloway Housing Partnership

26 January 2018

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

Regulatory profile

DGHP was registered in April 2003. It is the second largest Registered Social Landlord (RSL) in Scotland and owns and manages 10,304 homes. It also provides a factoring service for 623 owners. It employs around 185 people and has two unregistered subsidiaries, Novantie Ltd and DGHP3 Ltd which carry out the group's commercial activities and deliver development services respectively.

As at the 31 March 2017 its turnover for the year was £44 million and its debt per unit was £15,284.

Systemic importance

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 and how they manage the risks they face and the impact these may have. So we seek some additional assurance through our regulation plans. Given the combination of DGHP's size, turnover, level of debt and geographic importance, we consider it to be systemically important.

Engagement

During 2017/18 we reviewed DGHP's annual business plan and 30 year financial projections. We met with the Executive Team and the Board in December 2017 to discuss and provide feedback on this information, the further work it was doing to develop its asset management strategy and its ongoing work to demonstrate affordability to its tenants.

DGHP has been one of the largest developers of new affordable housing in Scotland and has received significant amounts of public funding to help achieve this. DGHP will complete its existing programme of new homes for social rent, mid-market rent and shared equity by the end of 2018. We have been engaging with DGHP as it continues to develop its strategy to support its plans for future development.

In May 2017, DGHP made us aware of a potential conflict of interest and breach of the code of conduct by one of its (now former) senior members of staff. DGHP commissioned an independent investigation into these events. The initial findings of this investigation raised a number of questions about the manner in which DGHP's internal control system had operated in relation to this matter.

Our priority now is to ensure that the interests of DGHP's tenants and service users are protected and this includes taking all reasonable steps to prevent a similar situation from arising in future. So we have now asked DGHP to complete the initial independent investigation to confirm the effectiveness of its internal controls and management systems

and commission a further independent and more wide-ranging review of its governance against the Regulatory Standards of Governance and Financial Management.

Our engagement with Dumfries and Galloway Housing Partnership in 2017/18 – Medium

We will engage with DGHP because it is systemically important and is continuing to develop and to seek assurance about its governance issues.

1. DGHP will complete the independent investigation into the extent of the allegations about its former member of staff and the effectiveness of its internal controls and management systems.
2. DGHP has also commissioned a wider independent review of its governance against the Regulatory Standards of Governance and Financial Management.
3. We will consider what further regulatory action may be necessary when we review the outcome of both of these investigations.
4. DGHP will continue to send us:
 - its Board and audit committee minutes as they become available; and
 - any updates relating to activity in its subsidiaries which may present a material risk to the parent.
5. We will review the minutes of the Board and audit committee meetings.
6. DGHP 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.

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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.