

Dumfries and Galloway Housing Partnership

7 December 2018

This Regulation Plan sets out the engagement we will have with Dumfries and Galloway Housing Partnership (DGHP) during the financial year 2018/19. 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 10,297 homes. It also provides a factoring service for 625 owners. It employs around 186 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 31 March 2018 its turnover for the year was £46m and debt per unit was £15,677.

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

Earlier this year DGHP commissioned an independent investigation into a number of allegations. It co-opted two additional members on to its governing body to help it progress this work.

The investigation identified serious issues in relation to misconduct and ineffective management and leadership and found that a substantial number of the allegations were supported to some degree. It highlighted cultural issues which appear to have gone unchecked for a considerable period of time. The investigation also identified serious weaknesses and concerns about the handling of conflicts of interest, grievances and settlement agreements.

These weaknesses raised questions about the operation of DGHP's internal control system, identified gaps in its compliance with Regulatory Standards of Governance and Financial Management and raised concerns about DGHP's governance and ability to manage its affairs to an appropriate standard.

DGHP's Board has told us it understands the extent and seriousness of the issues it is facing and is willing to address the underlying causes. The Board has now appointed an interim senior officer following the resignation of the Chief Executive.

The interim senior officer has also identified further issues which demonstrate concerns about DGHP's compliance with Regulatory Standards, for example, weaknesses in its approach to health and safety requirements and its handling of payments and benefits.

DGHP will commission work to ensure it has the leadership and management capacity to deliver sustainable improvement and achieve full compliance with Regulatory Standards. This will involve a comprehensive review of the organisation's compliance with Regulatory Standards and its strategic purpose and direction, as well as governance structures and practice.

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 2020/21.

Our engagement with Dumfries and Galloway Housing Partnership in 2018/19 – High

We will engage with DGHP to seek assurance that it is effectively identifying and addressing its governance weaknesses.

1. We will engage with DGHP as it commissions the independent review of its compliance with Regulatory Standards of Governance and Financial Management and of its future purpose and direction and we will discuss the findings with it.
2. DGHP will send us:
 - a comprehensive action plan focussed on achieving full compliance with regulatory standards;
 - monthly progress reports on the action plan;
 - 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.
3. DGHP will also send us an update on its development programme by the end of December 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme. This will include a copy of the most recent development update to the Board.
4. We will:
 - meet with the interim senior officer on a regular basis to discuss progress with the independent reviews and subsequent action plan;
 - meet the office bearers and Board as appropriate to discuss progress;
 - review the minutes of the Board and audit committee meetings; and
 - review DGHP's development update in quarter four of 2018/19.
5. 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.

Our lead officer for Dumfries and Galloway Housing Partnership 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.