

Faifley Housing Association Ltd

Regulatory Status:

We have not included a regulatory status in this box. As a result of the impact of Coronavirus (COVID-19), we postponed the publication of updated engagement plans scheduled for 31 March 2020 for all landlords other than the most critical cases. We propose to publish a regulatory status and updated engagement plans for all RSLs by the end of March 2021.

Why we are engaging with Faifley

We are engaging with Faifley about its **governance** and **financial management**.

Faifley failed to comply with the regulatory requirement to submit an Annual Assurance Statement by 31 October 2019. It subsequently submitted an Annual Assurance Statement in mid-November 2019 which acknowledged its non-compliance with the Regulatory Standards of Governance and Financial Management.

Following this, the Director left the organisation in February 2020. This followed a period of absence during which Faifley appointed an Interim Director who took steps to refresh and strengthen its governing body. The governing body had become depleted through multiple resignations which left its number below the minimum 7 required by its constitution.

Faifley commissioned a comprehensive independent review to establish the extent of its compliance with both the Regulatory Requirements and the Standards of Governance and Financial Management.

The review continued through Lockdown and the methodology was subsequently amended to take account of COVID 19. The review was completed in May 2020.

The review found that Faifley does not fully meet any of the Regulatory Standards of an RSL. The review identified the lack of a business plan, serious weaknesses in the capacity of the governing body over time and failures to plan for and fulfil legal obligations associated with tenants' safety.

The report concluded that the governing body had not understood or fulfilled its role and responsibilities and did not provide effective leadership and strategic direction over a number of years.

The lack of a business plan and effective decision making framework meant the governing body reacted to operational matters as they arose, exposing Faifley to a range of significant financial, regulatory and statutory risks, including breaches of

health and safety compliance for tenants and staff and in relation to equalities legislation.

The review also identified that Faifley did not have a comprehensive performance measurement framework or consistent approach to performance monitoring. It had incorrectly reported elements of the Annual Return on the Charter (ARC) in relation to rental income and had misreported its levels of compliance with the Scottish Housing Quality Standard and Energy Efficiency Standard for Social Housing.

The report also identified serious weaknesses in relation to financial management, asset management and procurement.

In particular, the review identified a potential failure to make adequate provision for the long term maintenance of the stock. As well as compromising the interests of tenants this represents a substantial potential risk to the long term viability of the RSL.

The governing body accepted all of the review findings and has been working proactively with us to address these serious and widespread weaknesses including further strengthening the governing body.

The lack of a business continuity plan meant that Faifley also faced significant challenges when the impact of COVID 19 became apparent. The IT system failed during lockdown and the lack of support for its systems added further challenge and organisational risk.

The governing body has decided to commission a comprehensive strategic options appraisal to address the implications of the Governance Review findings and to ensure that the significant weaknesses in governance, statutory compliance, financial viability and capacity and capability to respond are thoroughly considered.

It has also commissioned an audit of compliance with tenant health and safety legislation as a matter of urgency and is committed to addressing any failures as a priority. It commissioned an external validation of key performance areas in this year's Annual Return on the Charter prior to submission of the ARC and it will carry out further work to address weaknesses in its performance reporting.

What Faifley must do

Faifley must:

- commission a comprehensive strategic options appraisal to ensure compliance with the Regulatory Standards of Governance and Financial Management and that it meets the best interests of its tenants;
- review its stock condition survey and ensure that its financial plans reflect the investment needed;
- conduct a thorough audit of compliance with tenant health and safety legislation as a matter of urgency and address any failures; and
- share the outcomes from this work with us.

What we will do

We will:

- engage with Faifley about the outcome from the strategic options appraisal, the review of its stock condition survey, the audit of health and safety compliance and Faifley's proposed response to the findings; and
- update our published engagement plan in light of any material change to our planned engagement with Faifley.

Regulatory returns

Faifley 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; and
- Annual Return on the Charter.



[Read more about Faifley>](#)

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