



**Scottish Housing**  
Regulator

**Report on statutory intervention  
at Molendinar Park Housing  
Association**

March 2018

## About us

We are the independent regulator of social landlords in Scotland.

Our one **objective is to safeguard and promote the interests of:**

nearly  
**610,000**  
**tenants**  
who receive services of social landlords

around  
**118,000**  
**owners**  
who receive services of social landlords

around  
**40,000**  
**people & their families**  
who may be homeless and seek help from local authorities

over  
**2,000**  
**Gypsy/Travellers**  
who can use official sites provided by social landlords

### We regulate:

 around  
**200**  
Social landlords

 around  
**160** Registered Social Landlords (RSLs)  
 **32** Local Authorities (LAs)

Our **role** is to **monitor, assess** and **report on** social landlords' performance of housing activities and RSLs' financial well-being and standards of governance. We intervene, where we need to, to protect the interests of tenants and service users. Our **Regulatory Framework** explains how we regulate social landlords. It is available on our website [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk)

## About this report

1. This report sets out the reasons for our statutory intervention in Molendinar Park and the outcome of that intervention.

## About Molendinar Park

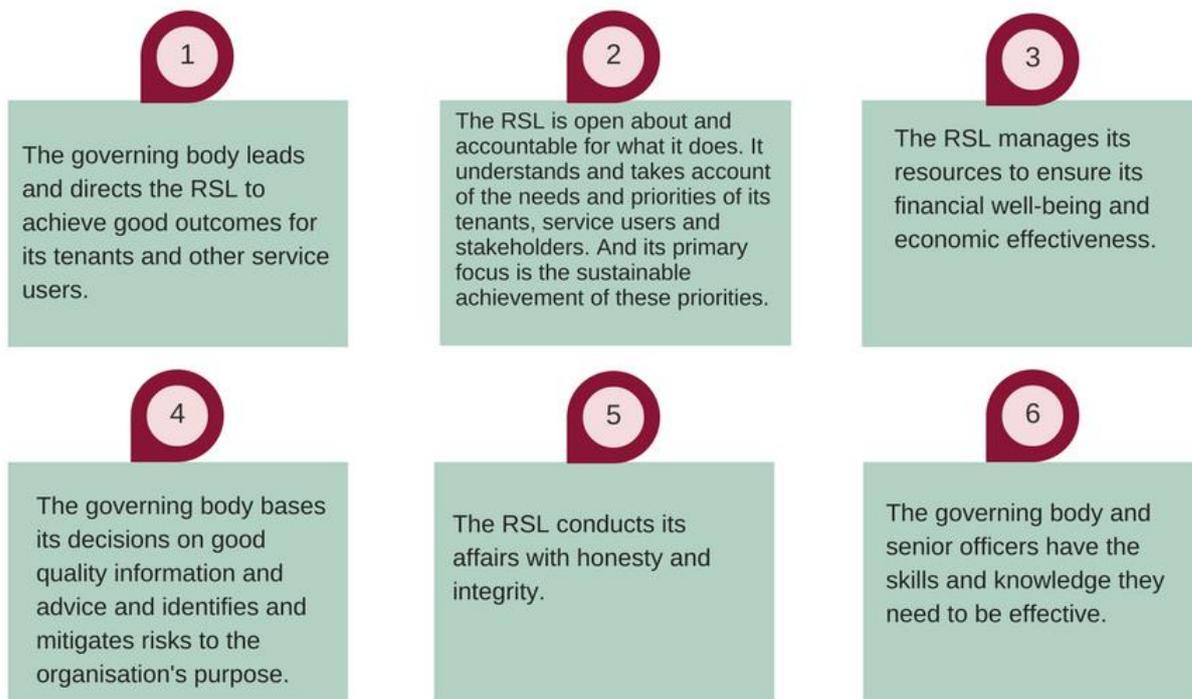
2. Molendinar Park was registered in 1993. It owns and manages 495 homes and provides factoring services to 252 properties in the east end of Glasgow. It has charitable status and employs 9 members of staff. As at 31 March 2017 its turnover for the year was £2.204 million and its debt per unit was £5,241.

## Our regulatory requirements

3. Prior to our intervention in March 2017, we had low engagement with Molendinar Park. This means that information it submitted to us did not highlight risks to tenants' interests requiring our engagement. On that basis, we did not need additional contact with Molendinar Park unless other events arose. We required it to give us its Annual Returns on the Charter (ARCs), its audited annual accounts, auditor's management letter, loan portfolio information and its five year financial projections. We required it to tell us about notifiable events; these are events which put at risk:

- tenants' and service users' interests or safety;
- the RSL's financial health, public investment, or lenders' confidence; or
- the good governance and reputation of an individual RSL or the RSL sector.

4. Our Regulatory Framework contains six Regulatory Standards of Governance and Financial Management. We require all RSLs to comply with these Standards. These require:



5. Each Standard has additional guidance for landlords. We require RSLs to self-assess against the Standards and take any actions needed to make sure they comply. We require RSLs to notify us immediately if there is a failure to comply with the Standards.

## Why we intervened

6. Molendinar Park contacted us in February 2017 to bring to our attention a significant governance problem and asked for our regulatory support. Molendinar Park's new Director had started to commission a review of governance arrangements when it came to light that its governing body was not constituted in accordance with its rules. This problem arose as its rules require that members of the governing body are shareholders. However, eight members that had been elected at its annual general meeting were not shareholders of Molendinar Park. These individuals had been shareholders of local management associations, but this did not qualify them to stand for, and be elected to the governing body. Molendinar Park had only three properly elected members and as the governing body requires at least seven members, it was not possible for decisions to be made on behalf of Molendinar Park, including taking any action to remedy this situation.
7. Molendinar Park advised us that this practice had been ongoing for a number of years. This was a serious governance failure and posed an immediate risk to tenants' interests. The governing body could not make the decisions which it was required to make. This included decisions which may have been required to protect it and its tenants and other service users from issues such as financial harm or health and safety matters. Nor could it make significant expenditure decisions if necessary. This type of governance failure will almost always be a breach of a loan agreement and this therefore raised the risk of Molendinar Park's loans being repriced by its lenders.
8. Because of this failing we raised our regulatory engagement level from low to high and used our statutory powers of intervention to appoint four members to the governing body. This ensured that Molendinar Park's governing body was properly constituted and could therefore make decisions on behalf of its tenants.
9. The role of the four appointed members was to:
  - address the serious risks to Molendinar Park's governance and ensure it had a properly constituted governing body;
  - support Molendinar Park to commission an independent review of its governance and financial management; and
  - ensure that Molendinar Park meets our Regulatory Standards of Governance and Financial Management.

## Outcome of our intervention

10. Molendinar Park acted appropriately in bringing this matter to our attention and requesting regulatory support. It worked openly and co-operatively with us to address this serious governance failure. It also engaged effectively with its lenders to assure them that it was taking swift and appropriate action to address this governance failure.
11. With the support of the appointees Molendinar Park commissioned an independent review of performance against the Regulatory Standards of Governance and Financial Management. We engaged with Molendinar Park to seek assurance about progress of the review and how it would address the findings.

12. In September 2017, Molendinar Park held its first annual general meeting since statutory intervention and elected a properly constituted governing body.
13. Due to the work undertaken by Molendinar Park to address its governance failings and with the support provided by the appointed members the serious risk to tenants' interests had now been addressed. We then reduced our regulatory engagement level from high to medium and ended our statutory appointments to the governing body.
14. Molendinar Park co-opted the previous four statutory members onto the governing body to provide continuing support with the independent review against Regulatory Standards. This review has been completed and Molendinar Park has put in place an action plan to address the issues that were identified in the review. Molendinar Park has given us assurance that it is fully committed to addressing the findings of the independent review.
15. We will keep our engagement level for Molendinar Park under review.

