



**Scottish Housing
Regulator**

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

October 2019

About us

We are the independent regulator of social landlords in Scotland.

We safeguard and promote the interests of:

Around:

600,000

Tenants who live in homes provided by social landlords

Around:

123,000

Home owners who receive services of social landlords

Around:

49,000

People and their families who may be homeless and seek help from local authorities

Over:

400

Gypsy/Travellers who can use official sites provided by social landlords

We regulate:



Social landlords

156

Registered social landlords

32

Local authorities

Our role:

To monitor, assess and report on social landlords' performance of housing activities and RSLs' financial wellbeing 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.

About this report

1. This report sets out the reasons for our statutory intervention in Dalmuir Park Housing Association ('Dalmuir Park') and the outcome of that intervention.
2. We ended our intervention on 31 March 2019 when Dalmuir Park had addressed the issues which led to our intervention. Dalmuir Park was able to demonstrate compliance with almost all the Regulatory Standards and that it had a credible and achievable plan to address the outstanding areas of non-compliance.
3. In December 2018 we published a [report on lessons learned from our statutory intervention](#) in a number of RSLs, including Dalmuir Park.

About Dalmuir Park

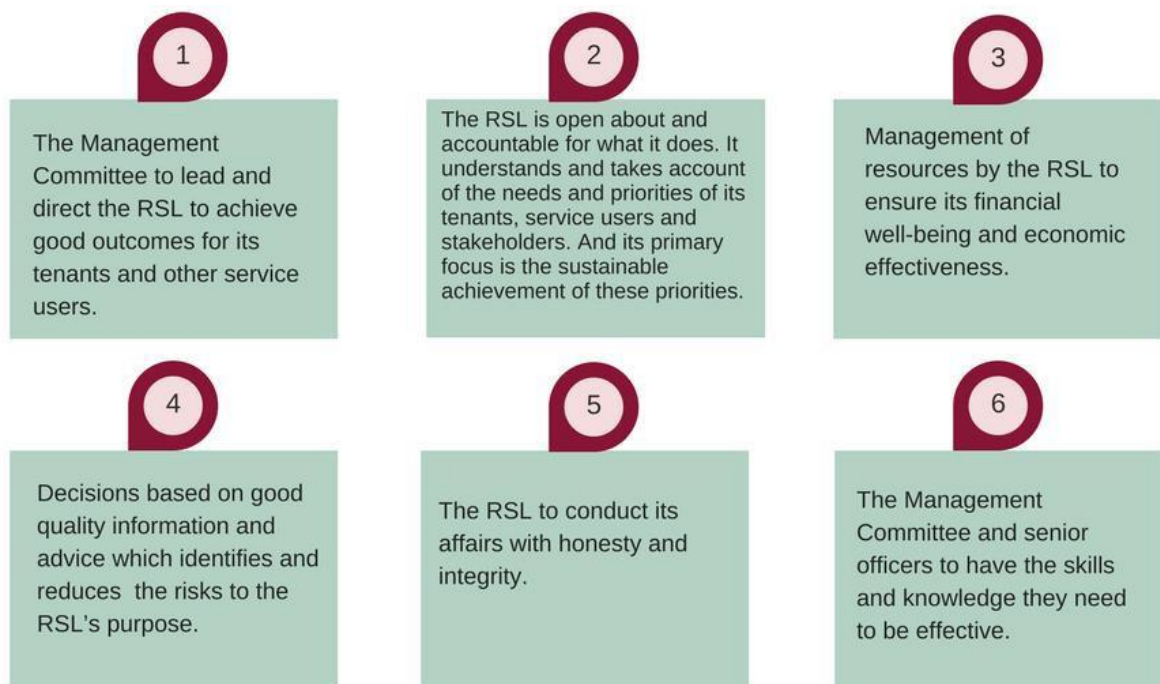
4. Dalmuir Park was registered as a social landlord in 1978. Dalmuir Park currently owns and manages 665 homes and provides factoring services to 174 owners in the Clydebank area of West Dunbartonshire. It is registered with the Care Inspectorate and provides housing support and care at home services to 70 sheltered housing tenants and an out of school service registered for up to 100 young people. It has charitable status and employs 34 people.
5. As of March 2019 Dalmuir Park's turnover for the year was £3,812,000. It has no debt.

Our regulatory requirements

6. Prior to August 2017 we had low engagement with Dalmuir Park. This means that the information it submitted to us did not highlight risks to tenants' interests. On that basis, we did not need additional contact with Dalmuir Park unless other events arose. We required Dalmuir Park to provide us with its Annual Returns on the Charter (ARC), its audited annual accounts, auditor's management letter, loan portfolio information and its five year financial projections. We also 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.

7. Our then [Regulatory Framework](#) contained six Regulatory Standards of Governance and Financial Management for RSLs to comply with.



Our intervention in Dalmuir Park

Our initial engagement

8. In March 2017, Dalmuir Park told us about a Notifiable Event relating to staffing issues. While we do not normally become involved in staffing issues, we do have an interest where employment matters might indicate potential concerns about the wider governance in an organisation. We required further information from Dalmuir Park about the Notifiable Event. The information provided gave us cause for concern about whether Dalmuir Park was following appropriate procedures and whether it was managing conflicts of interest and risks to the Association appropriately. We met with the Chair in April 2017 to discuss this.
9. Also in April 2017, a third party contacted us and made allegations of improper conduct and mismanagement at Dalmuir Park. Those allegations included the falsification of records (including records submitted to us) and the mismanagement of conflicts of interests.
10. We considered the evidence provided in support of the allegations and concluded that the allegations, if proven, were serious.
11. We met Dalmuir Park's governing body at the start of June 2017 and told it about the allegations and our concerns about how it was handling the Notifiable Event. It agreed to carry out an independent investigation in to the allegations and to establish a sub-group to oversee the investigation. The governing body told us that it needed to co-opt independent members to help it take forward the investigation because some members were conflicted in relation to the allegations and those who were not, did not have the necessary experience to take forward the investigation. The governing body asked us for assistance to identify two potential co-optees who had the necessary skills, experience and knowledge to support it and assist with the investigation. We provided the names of two people who had agreed to help Dalmuir Park.

12. The governing body told us at the end of June 2017 that it now considered it had the capacity to take forward the investigation without the support of co-optees. In taking this decision it failed to recognise that Dalmuir Park was not managing conflicts of interest and that it did not have the necessary skills, knowledge and experience to oversee an investigation of this nature. The governing body also therefore failed to recognise the risks its approach created for the Association.
13. The governing body had also failed to provide us with the information we had required in June 2017 about the Notifiable Event within the timescale we required.
14. In July 2017, we identified issues in relation to the membership of the governing body, in particular, the process by which members had joined the governing body and the status of some members. This had potential implications for membership of the sub-group and compliance with the Association's constitutional requirements. We asked Dalmuir Park to clarify the position.
15. Later in July, we met the governing body to discuss our concerns about its approach and its decision not to co-opt independent members. It told us that it had reconsidered its earlier position and now wanted to work with us to take forward the investigation as a matter of urgency. We increased our engagement with Dalmuir Park to 'medium' and published a [Regulation Plan on 4th August 2017](#).
16. By the end of August 2017, the governing body had co-opted two independent member; with their support it established a sub-group to oversee the investigation and commissioned an independent consultant to investigate the third party allegations. Dalmuir Park also commissioned independent legal advice to support the investigation sub-group in its work. This was necessary to manage conflicts of interest which it had not previously recognised.
17. In September 2017, following the Annual General Meeting (AGM), Dalmuir Park resolved the governing body membership issues we identified.
18. In September, we received Dalmuir Park's business plan. Our assessment was that it did not provide us with the necessary assurance that Dalmuir Park could deliver its strategic objectives.
19. In October 2017, Dalmuir Park submitted a second Notifiable Event advising us that it had received a complaint about a member of the governing body and an allegation that the member had breached the Code of Conduct for governing body members. Dalmuir Park decided to commission a second independent investigation in to those allegations, and it agreed the member would take a leave of absence whilst the investigation was ongoing.
20. Dalmuir Park also informed us of a third Notifiable Event which came to its attention in October 2017. This was that a formal complaint had been made against a senior member of staff in February 2017. Dalmuir Park should have notified us at that time, in accordance with our statutory guidance on Notifiable Events, but it had not. Dalmuir Park had also failed to investigate the complaint.
21. In October, we told Dalmuir Park that, from our engagement with it to date, we had concerns about the Association's compliance with Regulatory Standards. The governing body agreed to commission an independent review into Dalmuir Park's compliance with Regulatory Standards in response to our concerns.
22. In November 2017, the first independent investigation into the third party allegations, found evidence of serious governance failures at Dalmuir Park including failures to understand and comply with Dalmuir Park's constitutional requirements, and it identified further serious allegations of breaches of its Code of Conduct for staff and governing body members, failure to manage conflicts of interest and failure to seek independent advice to inform

important decisions.

Why we intervened

23. We considered that the governance failures identified by the investigation were the result of misconduct, mismanagement and ineffective leadership in Dalmuir Park and that those failures put the interests of its tenants at risk. We also considered those failures to put at risk the reputation of social landlords. We were not assured that Dalmuir Park had the necessary governance and leadership capacity to address the governance failures without additional support.
24. So, in December 2017, we decided that it was proportionate and reasonable to use our statutory powers of intervention under section 58 of the Housing (Scotland) Act 2010 (“the Act”) to appoint a statutory manager and under section 65 of the Act to appoint six members to the governing body. We also decided that it was proportionate and reasonable to serve a notice of our intention to suspend the Chair under section 61 of the Act. The Chair subsequently resigned.
25. The statutory manager was Mags Lightbody. Her remit was to:
- address the serious and urgent risks to the interests of Dalmuir Park’s tenants and service users arising from the findings of the independent investigation (November 2017), any relevant findings from the second independent investigation (concluded in January 2018), and to assist the governing body in ensuring that those issues were resolved;
 - identify any other serious and urgent risks to Dalmuir Park’s governance and financial management and prioritise actions to ensure that it was complying with the Regulatory Standards;
 - carry out a strategic review of the organisation to establish the best strategic solutions to protect the interests of its tenants and service users;
 - ensure that Dalmuir Park’s tenants, service users and stakeholders, including its lenders, were kept up to date with progress on addressing the issues which led to our intervention; and
 - assist and support the governing body in its role.
26. The statutory manager also progressed and oversaw the review of Dalmuir Park’s compliance with the Regulatory Standards. This was because the governing body had failed to commission an independent review as it had agreed to do in October 2017.
27. The governing body appointees were:
- Gordon Laurie, former Director at Sanctuary Scotland Housing Association, Board Member at Linthouse Housing Association and Trust Housing Association (appointed from December 2017 to March 2019);
 - Jason MacGilp, Chief Executive, Cairn Housing Association (appointed from December 2017 to April 2018);
 - Patricia Gallagher, Director, Provanhall Housing Association (appointed from December 2017 to August 2018);
 - Bob McDougall, Chair at Muirhouse Housing Association, and governing body statutory appointee at Antonine Housing Association (appointed from December 2017 to March 2019);
 - Jack Marshall, former Director of Business Services, Trust Housing Association (appointed from December 2017 to March 2019);
 - Audrey Simpson, Chief Executive, Ardenglen Housing Association (appointed from December 2017 to March 2019); and
 - Matthew Reid, Corporate Services Manager, Parkhead Housing Association (appointed from September 2018 to March 2019).

28. The governing body appointees' remit was to:
- support the delivery of the statutory manager's remit;
 - ensure that Dalmuir Park met Regulatory Standards and addressed the issues arising from the findings of the two independent investigations; and
 - deal with any other issues that might arise in the course of their appointment and in the normal course of governing body business.
29. We published a [Regulation Plan detailing our intervention on 8 December 2017](#). We informed the Office of the Scottish Charity Regulator and the Care Inspectorate of our intervention on the same day.
30. The Director left the organisation in January 2018. Three long serving governing body members also left Dalmuir Park by March 2018.
31. In January 2018, the governing body agreed to appoint an interim Director.
32. In June 2018, we reviewed our intervention and assessed that Dalmuir Park continued to require additional support to provide the necessary governance and leadership capacity to address the reasons for our statutory intervention. We decided to continue the appointment of the statutory manager and five members to the governing body until June 2019. We published a new [Regulation Plan for Dalmuir Park on 7th June 2018](#).

Weaknesses and risks identified

33. Dalmuir Park's failure to provide us with accurate information and to comply with the Regulatory Standards led to our statutory intervention. It had historically given us misleading and inaccurate information and it failed to inform us about Notifiable Events which would have highlighted risks to the Association earlier. The governing body did not recognise the importance of, or take steps to obtain assurance about, the accuracy of the information it provided to us, or that it was complying with Regulatory Standards and requirements.
34. Investigations into potential breaches of the Code of Conduct for governing body members together with the other work carried out by the statutory manager and interim Director found a number of other governance failures and an absence of internal controls. These included:
- no appropriate business plan and little clarity on the Association's strategic objectives or whether Dalmuir Park was achieving these;
 - ineffective performance management processes and reporting mechanisms;
 - ineffective use of internal audit;
 - ineffective and inadequate governance structures and processes;
 - a lack of understanding about the role of the governing body, Regulatory Standards and constitutional requirements;
 - no effective assessment of the governing body members' skills, appraisal of their performance or the continuing effectiveness of members serving longer than nine years;
 - failure by staff and governing body members to identify and manage conflicts of interest;
 - breaches of confidentiality;
 - failure to comply with regulatory requirements relating to Notifiable Events;
 - failure to obtain independent advice and assurance about Dalmuir Park's compliance with its policies, procedure and best practice;
 - failure to appropriately manage relationship with connected organisations;
 - lack of strategic engagement with key stakeholders;
 - weaknesses in tender and procurement practices;
 - the absence of, or out of date, policies and procedures;
 - outdated stock condition information; and

- the submission of inaccurate regulatory returns.

Significant improvement

35. Dalmuir Park's governing body and staff worked openly and constructively with the statutory manager, interim Director and governing body appointees to address the governance failures. Over the course of our 15 month statutory intervention, Dalmuir Park made significant progress in delivering and embedding an extensive programme of change and improvement. This work included:

- an assessment of Dalmuir Park's compliance with the Regulatory Standards followed by the development and implementation of a comprehensive action plan to address areas of non-compliance;
- a review of the governing body and subcommittee remits, meeting structures and schedule, and the introduction of standard reporting templates;
- a review of the share process, register and AGM arrangements;
- a renewal of core governance Standing Orders and financial management policies;
- a full review of all Dalmuir Park's policies and procedures;
- a review of legal services provision;
- review of all contracts with external organisations and improved value for money;
- independent verification of Dalmuir Park's ARC;
- the establishment and monitoring of performance targets;
- development and implementation of a new Business Plan;
- completion of a strategic review;
- completion of an updated stock condition survey;
- appointment of new internal auditors;
- establishing two tenant panels to inform and influence strategic and operational plans;
- formal and regular engagement with key stakeholders;
- recruitment, induction and training of five new governing body members;
- a culture change programme including the introduction of a new staff performance management system and a review of the staff structure.

36. By February 2019, Dalmuir Park could evidence that it was compliant with Regulatory Standards. Dalmuir Park:

- was financially stronger;
- was operating with reduced costs (even with the additional cost of intervention and the strategic review) and improved value for money;
- was able to deliver the required investment into its homes and communities;
- had the financial capacity to further reduce costs in the future;
- had achieved good and improving tenant satisfaction levels in most areas;
- had made substantial improvements in governance and financial management;
- had improved the delivery of its services to tenants and others; and
- had made significant progress in embedding the operational and cultural changes in to the organisation.

Dalmuir Park also maintained good and excellent grades with the Care Inspectorate for its care services.

37. Dalmuir Park completed a strategic review to determine how it could best serve the interests of its tenants and service users in future. This included exploring the potential for establishing a partnership with local RSLs. It consulted its stakeholders during the review, in particular its tenants and service users via the tenant panels and through an independent tenant opinion survey. In February 2019, Dalmuir Park decided to remain as an independent organisation.

38. In February 2019, Dalmuir Park also completed an assessment of its compliance with the Regulatory Standards. It concluded that it had made significant progress and that it was now working towards full compliance. Dalmuir Park updated its action plan to list all of the actions it intended to take to become fully compliant and to continue to strengthen its governance arrangements.
39. By March 2019, Dalmuir Park had addressed the governance failures which we identified in 2017. We assessed Dalmuir Park's compliance against the Regulatory Standards and concluded it could demonstrate and evidence compliance across almost all of the Standards and that it had a credible and achievable plan to address the outstanding areas of non-compliance. We were assured by progress that had been made by Dalmuir Park and decided that it was appropriate to end our statutory intervention.
40. Five of the former governing body appointees have decided to remain on the governing body beyond their statutory role to support Dalmuir Park to further embed the changes it has made and as part of its future succession planning.

Cost of intervention

41. Dalmuir Park met the costs for the statutory manager's services and expenses. This covered a period from December 2017 to 31 March 2019 and amounted to £118,722.15 excluding VAT. These costs were partly offset by wider savings in staffing levels and substantial improvements in performance.



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