



**Scottish Housing**  
Regulator

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

May 2019

## About us

We are the independent Regulator of social landlords in Scotland.

### We protect & promote the interests of: We regulate:

Around:

**600,000**

Tenants who live in homes provided by social landlords

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Over:

**125,000**

Home owners who receive services of social landlords

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Over:

**45,000**

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

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Around:

**2,000**

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

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**190**

Social landlords

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**158**

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 at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk)



## About this report

1. This report sets out the reasons for our statutory intervention in Ferguslie Park Housing Association (FPHA) and the outcome of that intervention.
2. We ended our intervention in September 2018. FPFA achieved significant improvement over the period of our intervention.

## About Ferguslie Park

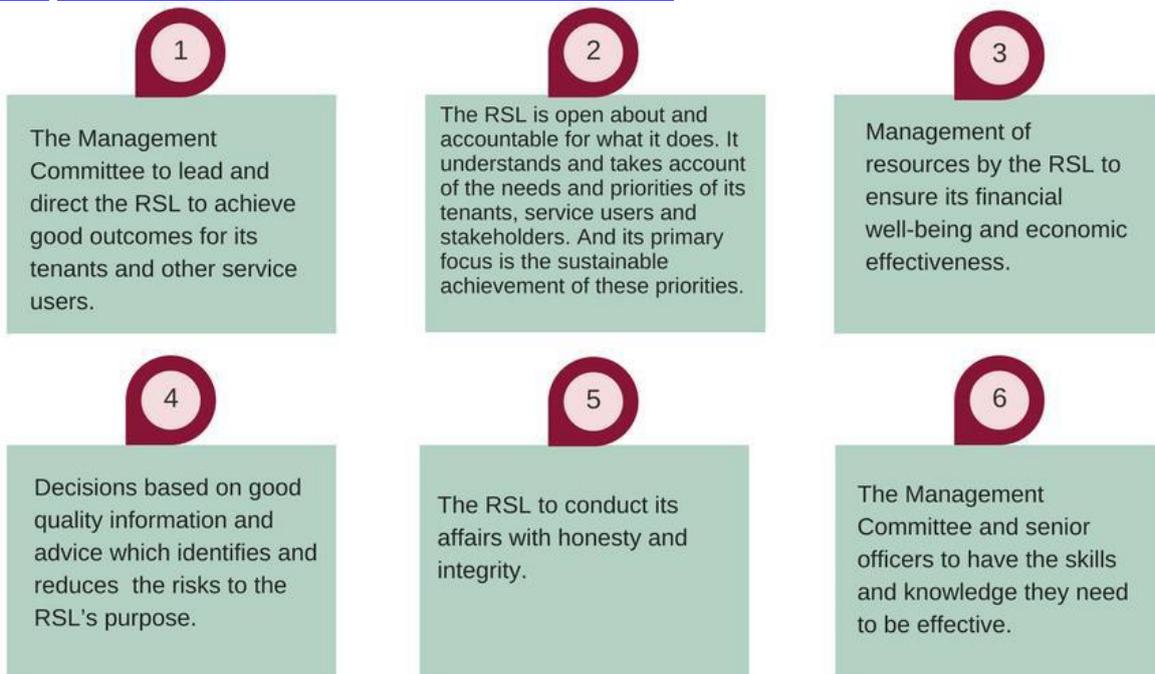
3. Ferguslie Park Housing Association was registered in 1988. It owns and manages 809 homes. It has charitable status and employs 20 staff. It has one unregistered subsidiary, the New Tannahill Centre (Limited), which manages the local community centre that provides commercial and community facilities for the local area. At 31 March 2018 FPFA's turnover was £4.22 million and its debt per unit was £2,799.

## Our regulatory requirements

4. Prior to our intervention in February 2016, we had low engagement with FPFA. This means that the information submitted to us by FPFA did not highlight risks to tenants' interests requiring our engagement. On that basis, we did not need additional contact with FPFA unless other events arose. We required FPFA 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 could 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.

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



6. Each Standard had additional guidance for landlords. We required RSLs to [self-assess](#) against the Standards and take any actions needed to make sure they comply. We required RSLs to notify us immediately if there was a failure to comply with the Standards.

# Our intervention in Ferguslie Park

## Our initial engagement

7. In August and September 2015 FPHA's solicitors and auditors alerted us to possible irregularities in salary advances to one of FPHA's senior managers. The correspondence with the auditors was in accordance with their duty under Section 72 of the Housing (Scotland Act) 2010 to disclose information relevant to the performance of our duties.
8. In October 2015 a third party contacted us with a number of allegations relating to FPHA including inappropriate use of settlement agreements, poor management behaviours and bullying and intimidation.
9. In November 2015 we asked FPHA to co-opt two people with appropriate skills and experience on to its board to help support it through this difficult period. They joined the board in December.
10. We engaged with FPHA and asked it to instruct an independent investigation into the allegations. This investigation concluded in December 2015 having found evidence of inappropriate payments and flawed decision making. It found that a senior manager had acted outwith delegated authority and had misled the board. The investigation also found governance and financial management weaknesses.
11. The Chief Executive left FPHA in January 2016.

## Why we intervened

12. FPHA's board cooperated with us. However, it became clear to us that even with the help of two co-optees, FPHA lacked the capacity, skills and knowledge to oversee the necessary investigations and to develop robust plans to address its weaknesses.
13. In February 2016 we concluded that FPHA did not comply with five of the six Regulatory Standards. As this non-compliance put the interests of FPHA's tenants and service users at risk, we decided that it was proportionate and reasonable to intervene and to appoint a manager under section 58 of the Housing (Scotland) Act 2010 and make appointments to the board under section 65 of the Housing (Scotland) Act 2010. Two of the appointees were the co-optees who had joined the board in December 2015.
14. The statutory manager was Paul Rydquist. The statutory appointees were:
  - Charlie Lunn, Chair of Spireview Housing Association (appointed from February 2016 to June 2016);
  - James Strang, Chief Executive of Parkhead Housing Association (appointed from February 2016 to May 2018);
  - Julianne Scarlett, Chair of Cloch Housing Association (appointed from February 2016 to March 2018);
  - Fiona Murphy, Director of Copperworks and Spireview Housing Associations (appointed from June 2016 to September 2018); and
  - Anne Culley, Depute Chief Executive Officer of Oak Tree Housing Association (appointed from June 2018 to September 2018).
15. We informed the Office of the Scottish Charity Regulator of our intervention. We published our Regulation Plan on 11<sup>th</sup> February 2016 setting out the reasons for our intervention.

## Weaknesses / risks identified

16. FPHA's board instructed further investigations and governance and financial management reviews between March and December 2016, to understand the extent of the weaknesses and the risks to FPHA and its tenants. These found weakness and failures across almost all aspects of FPHA's business including:
  - lack of effective governance arrangements;

- fundamental failings in its internal controls;
- former board members and some senior managers acting beyond their authority;
- a pattern of inappropriate payments;
- financial loss from widespread and inappropriate use of settlement agreements. Out of 26 staff leaving FPHA in a seven year period 17 exited under settlement agreements costing £533,000;
- a lack of capacity, skills and capability in its board;
- lack of oversight and control of the subsidiary the New Tannahill Centre (NTC), and poor governance and financial management arrangements within the NTC;
- breaches of procurement regulations; and
- failings in its management of gas safety.

### **Significant improvement**

17. With the support of the appointed manager, FPHA's board developed two improvement plans covering around 130 actions to help ensure the recovery of the association and its subsidiary the NTC. This required extensive commitment from FPHA's board members. FPHA worked openly and constructively with us during this improvement period. It dealt effectively with complex and challenging issues.
18. FPHA appraised its strategic options in February 2017 and decided to remain independent. FPHA also decided to retain the NTC as a subsidiary company to focus on its wider community and social impact activities.
19. In December 2017 an evaluation of progress by the appointed manager concluded that FPHA was close to meeting all Regulatory Standards, and most areas of shortcoming and weakness had been resolved. We therefore decided to end the manager's appointment. We continued the appointments of three individuals to the board to provide support as FPHA completed its improvement plans, as new governing body members settled into their roles and it recruited a new Chief Executive and senior team.
20. In September 2017 FPHA began recruiting a new Chief Executive, it appointed a new Chief Executive in June 2018.
21. We carried out a review of FPHA's progress in addressing its non-compliance with regulatory standards and were satisfied it now substantially complied. We ended our statutory intervention in September 2018 but continued to engage with FPHA while it completed its improvement programme.

### **Cost of intervention**

22. FPHA met the costs for the statutory manager's services and expenses. This covered a period from February 2016 to January 2018.

- February 2016 to March 2016           £17,735
- April 2016 to March 2017           £117,786
- April 2017 to January 2018       £52,944

23. The failure of FPHA to comply with regulatory standards was a breach of its loan agreement. Following a period of negotiation the lender offered FPHA new terms which resulted in continued long term support for the business but at an additional cost to FPHA.

