



Scottish Housing
Regulator

**Report on Statutory Intervention
at Antonine Housing Association**

June 2019

About us

We are the independent regulator of social landlords in Scotland.

We safeguard and promote the interests of: **We regulate:**

Around:

600,000

Tenants who live in homes provided by social landlords

Over:

125,000

Home owners who receive services of social landlords

Over:

45,000

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

Around:

2,000

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



190

Social landlords

158
32

Registered social landlords

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



HAPPY TO TRANSLATE

About this report

1. This report sets out the reasons for our statutory intervention in Antonine Housing Association ('Antonine') and the outcome of that intervention.
2. We ended our intervention on 1 October 2018. Antonine achieved significant improvement over the period of our intervention and following an extensive options appraisal, tenant consultation and tenant ballot process, it transferred its homes to Caledonia Housing Association Ltd (Caledonia).
3. In December 2018 we published a report on lessons learned from our statutory intervention in a number of RSLs, including Antonine. You can read the report on our website [here](#).

About Antonine

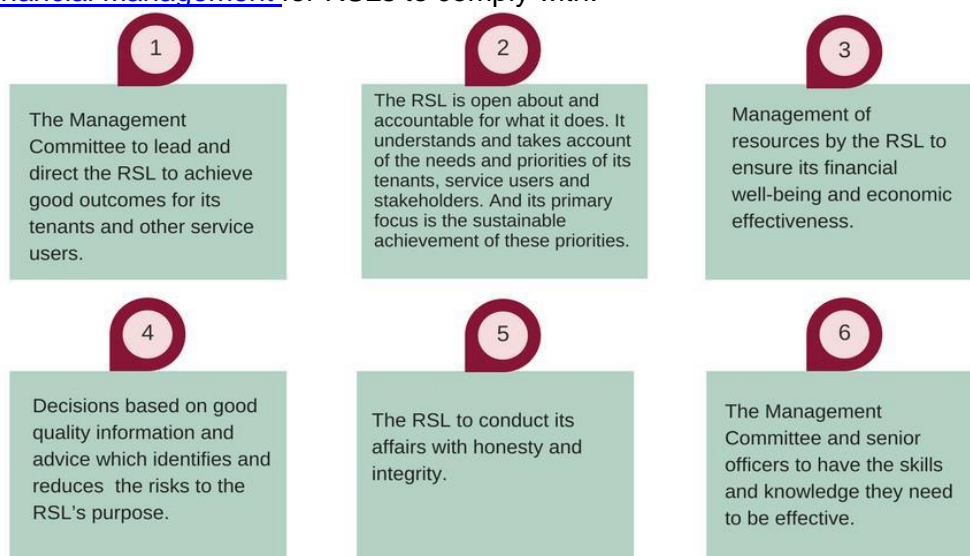
4. Antonine was registered as a social landlord in 2000. It is also registered as a Scottish charity. At the time of our intervention, it owned and managed 338 homes and provided factoring services to 701 owners in East Dunbartonshire and North Lanarkshire. In 2018, it employed 10 people and its turnover for the period ended 31 March 2018 was just over £1.8 million and its debt per unit was £12,233.

Our regulatory requirements

5. Prior to March 2016 we had low engagement with Antonine. 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 Antonine unless other events arose. We required Antonine to give us 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 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.

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



7. 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 Antonine

Our initial engagement

8. In late 2015, a third party contacted us and made allegations of improper conduct and mismanagement at Antonine. These included failing to comply with the Association's constitutional requirements and poor management behaviours. We considered the evidence provided in support of the allegations and concluded the allegations, if proven, were serious.
9. Part of the evidence raised concerns about whether Antonine's governing body had been constituted in accordance with its Rules. We needed to establish this quickly to determine whether the governing body had the necessary authority to make decisions on how to take the allegations forward and the capacity to engage effectively with us.
10. We told the governing body about the allegations in February 2016 and carried out an onsite inquiry that month to investigate whether it was able to oversee and direct Antonine's affairs. Antonine was unable to demonstrate to us that the governing body had been properly constituted.
11. The governing body gave us assurance that it was taking the allegations seriously and it commissioned three independent investigations into the allegations and to establish whether Antonine's wider governance practices were in accordance with its Rules.

Why we intervened

12. In August 2016 one of the independent investigations found that Antonine had failed to comply with important aspects of its constitutional and regulatory requirements over a significant period of time. This related to: its membership; its general meetings; the election and number of governing body members; the attendance of governing body members at its meetings and the quality and accuracy of governing body minutes.
13. On 16 August, Antonine confirmed to us that it did not have a governing body which was constituted in accordance with its Rules. The governing body must have at least seven members. This meant that the governing body could not make decisions, including those about taking any action to remedy this situation. Antonine asked us to appoint members to the governing body.
14. Antonine also recognised that it did not have the management or governance capacity to take forward the recommendations from the investigation in to its constitutional requirements, to manage the two other outstanding investigations, to finalise its annual accounts and to manage the forthcoming Annual General Meeting (AGM). It asked us to appoint a manager to support the governing body to deal with these pressing matters.
15. Antonine's governance arrangements presented a serious and urgent risk. The governing body could not make the decisions which it needed to make, including those needed to ensure Antonine and its tenants and other service users were protected from issues such as financial harm or risks to health and safety.

16. Following Antonine's recognition that it could not address the failings identified by the independent investigation report and its request for assistance in order to do that, we concluded that it was proportionate and reasonable to use our powers under sections 58 and 65 of the Housing (Scotland) Act 2010 (the Act). We determined that using our statutory powers was the most proportionate and effective way to ensure that the failings identified were addressed quickly and effectively, thereby safeguarding the interests of Antonine's tenants.
17. On 30 August 2016 we appointed a manager under section 58 of the Act and seven members to the governing body under section 65 of the Act. We reduced the number of governing body appointees to six in February 2017, to five in September 2017, and to four in February 2018.
18. The statutory manager was John Mullholland. The governing body appointees were:
 - Patrick McGrath, Director of Southside Housing Association;
 - Bob McDougall, Chair of Muirhouse Housing Association;
 - Wendy McCracken, Consultant;
 - Ian McLean, Chief Executive of Bridgewater Housing Association;
 - Lawrie West (appointed from August 2016 to February 2018) former Integration Director of Caledonia Housing Association;
 - Michael Clarke (appointed from August 2016 to September 2017) then Director at Rosehill Housing Co-operative; and
 - Lynn Wassell (appointed from August 2016 to February 2017) then Chief Executive of Maryhill Housing Association.
19. We informed the Office of the Scottish Charity Regulator of our intervention. We published a Regulation Plan on 30 August 2016 setting out the reasons for our intervention.
20. An early action by the statutory manager was to secure a part time interim director; the governing body appointed Mags Lightbody to this role in October.
21. Antonine's Director left the organisation in November 2016.

Weaknesses and risks identified

22. The failure of Antonine to comply with its constitutional requirements and the Regulatory Standards led to our statutory intervention. This triggered a breach of Antonine's loan agreement which led to a number of consequences.
23. Any breach of a loan agreement leaves an RSL open to a range of sanctions from its lender depending upon the terms of the agreement. In September 2016 Antonine's sole lender required it to repay its only loan by 31 December 2016. Antonine had insufficient money to repay the loan within this timescale and it did not have a replacement loan in place. It faced insolvency.
24. Antonine's auditors were unable to recommend signing off its accounts because of the risk to the Association's status as "a going concern". Antonine was therefore unable to present its accounts to its AGM as planned, and the governing body was unable to sign off the accounts and provide a copy to us within the required timescale as a result.
25. Working closely with Antonine's lenders, the statutory manager, within extremely tight timescales, secured a short extension to the repayment schedule and then alternative

funding. This averted insolvency which would have had ramifications for Antonine and, potentially, the wider RSL sector. By the end of January 2017, Antonine had secured funding to ensure its financial viability. The governing body's willingness to work constructively with us to address the areas of non-compliance meant that it was more easily able to re-finance its loan.

26. The other independent investigations and work carried out by the statutory manager and interim director found other fundamental failures in, or the absence of, internal controls in a variety of areas. These included:
- no up to date business plan and little clarity on the Association's strategic objectives;
 - failure to comply with relevant legislative requirements;
 - the submission of inaccurate regulatory returns;
 - irregular and inaccurate reporting of performance to the governing body;
 - governing body members had limited understanding of their role and the Regulatory Standards;
 - no effective assessment of governing body members' skills or appraisal of their performance;
 - little active management of its borrowings or of the relationship with its lender;
 - a poor understanding of risk, including financial risk;
 - poor quality of information on the condition of its homes and no asset management strategy resulting in non-compliance with the Scottish Housing Quality Standard and the Energy Efficiency Standard for Social Housing, and inefficient investment in tenants' homes;
 - failure to review and apply policies;
 - weakness in procurement practice and little evidence of value for money;
 - failure to pursue grant funding and other opportunities to support housing investment and energy efficiency initiatives; and
 - ineffective working relationships between staff and the governing body.
27. Some of these contributed to Antonine's failure to recognise that it was not complying with its constitutional requirements and the Regulatory Standards.

Significant Improvement

28. With the support of the statutory manager, governing body appointees and the interim director, Antonine agreed a range of actions to make the necessary improvements to address the most immediate risks and weaknesses. These included, but were not limited to, the following:
- a review of its core governance and financial policies;
 - a programme of policy reviews;
 - a review of the share process, register and AGM arrangements;
 - a review of the governing body and subcommittee meeting structure and schedule, the introduction of standard reporting templates, and staff attendance at governing body meetings, both as observers and contributors;
 - establishing a competencies framework, an appraisal system and an induction and training programme for governing body members;
 - setting performance targets and improving the accuracy of performance monitoring and reporting;
 - establishing a tenants' panel to get their views, and to help shape Antonine's strategic and operational plans;
 - developing a procurement policy and strategy, and agreeing new contract arrangements for repairs, maintenance and major investment contracts;

- a culture change programme, introducing an appropriate staff performance management system, staff code of conduct, whistleblowing policy and an open culture for staff to raise concerns;
 - developing a Risk Management Strategy and risk register; and
 - establishing an Audit and Risk Committee and an internal audit process and programme.
29. Antonine commissioned a full stock condition survey of its homes, giving it a comprehensive and accurate picture of investment needs and stock performance. This allowed it to develop a business plan with appropriate cash flows, budget and investment assumptions.
30. Tenants quickly benefited from some early investment work on energy efficiency and adaptations which, prior to the intervention, Antonine had not planned to do. This was a result of the statutory manager obtaining grant funding which the Association had not previously pursued.

Transfer of Engagements

31. Antonine identified its future priorities as improving the standards of services to tenants and other users, improving and maintaining the quality of its homes, addressing fuel poverty, keeping rents affordable (its rents were higher than the sector average) and controlling management costs. In December 2016, the governing body initiated a strategic review of the organisation to help it determine the best way for Antonine to deliver these priorities. This included a review of its financial and governance capacity to deliver and sustain improvement and to comply with Regulatory Standards.
32. Following wide-ranging consultation with tenants and other service users and stakeholders, Antonine agreed it would seek a partnership with another housing association. It sought expressions of interest for this in April 2017, and in August 2017 Antonine identified its preferred partner as Caledonia.
33. Caledonia's transfer proposals included:
- a rent guarantee for tenants;
 - an additional £1.45 million of investment in tenants' homes over a five year period;
 - an annual £20,000 neighbourhood fund for distribution within the Antonine area; and
 - a commitment that decisions on local priorities would be influenced by a new Antonine Area Committee made up of local tenants and residents.
34. In an independent ballot in July 2018, 99% of votes cast by tenants were in favour of the transfer, on a turnout of 79%. The transfer of engagements from Antonine to Caledonia was completed on 1 October 2018.
35. We will now remove Antonine from the Register of Social Landlords.

Cost of Intervention

36. Antonine met the costs for the statutory manager's services and expenses. This covered a period from 25 August 2016 to 31 September 2018 and amounted to £119,515.01. These costs were partly offset by wider savings in staffing levels and substantial improvements in performance.
37. The failure of Antonine to comply with Regulatory Standards led to our intervention which triggered a breach of Antonine's loan agreement. Its lender enforced its entitlement to have the loan repaid with breakage costs.

