

## Fairfield Housing Co-operative Ltd

### Regulatory Status: Statutory Action

**Fairfield Housing Co-operative Ltd (Fairfield) does not meet the Standards of Governance & Financial Management and regulatory requirements, and we are using statutory powers to address the non-compliance.**

### Why we are engaging with Fairfield

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

In July 2018 Fairfield commissioned an independent investigation into serious allegations of potential misconduct and mismanagement. It co-opted two independent people to support it to manage and oversee the investigation.

In November 2018 the investigation highlighted a number of serious concerns including the inappropriate receipt of payments and benefits and systemic failures of governance amounting to mismanagement. The governing body had failed to establish and oversee an effective system of internal controls and to exercise the necessary controls to allow it to determine whether Fairfield was complying with the Regulatory Standards of Governance and Financial Management. This included widespread failure to comply with policies, procedures, financial regulations and delegated authorities for spending. It also found that there had been poor procurement practices and failures to manage conflicts of interest and to uphold the standards of conduct expected of Registered Social Landlords. These governance failures have contributed to the potential inappropriate use of Fairfield's funds and resources.

Fairfield was not complying with the Regulatory Standards. There were serious and widespread failures across all Standards.

Fairfield has engaged openly and constructively with us. However, it did not have the management and leadership capacity to address the serious risks and issues it faced at that time. The governing body accepted that it needed expert support to act on the investigation findings and recommendations and to achieve compliance with the Regulatory Standards.

We considered that the serious failures in Fairfield's governance and financial management posed an immediate risk to the interests of its tenants and to the reputation of Registered Social Landlords. So in December 2018 we used our statutory powers under section 58 of the Housing (Scotland) Act

2010 to appoint a manager and under section 65 to appoint seven members to the governing body to address the risks and ensure that Fairfield's financial and governance affairs are managed to an appropriate standard.

We last reviewed our engagement strategy for Fairfield in December 2019 and continued the appointment of a statutory manager and the seven appointments to the Management Committee until September 2020. Since then we have continued to engage intensively with Fairfield about the implementation of its governance and financial management improvement plan and the outcome of its strategic options review.

Fairfield continues to make good progress in implementing its plans for improvement. One of the key elements of its recovery strategy was the delivery of a shared services arrangement with Kingdom Housing Association which will provide Chief Executive services, governance and organisational support, financial and payroll services and a strategic asset management service. The shared services arrangement came into effect on 1 May 2020. A Joint Project Board involving Kingdom and Fairfield representatives has been established and will monitor and maintain oversight of the agreements.

In light of the progress with the implementation of the shared service arrangements with Kingdom and having reviewed the remit for the appointment of a statutory manager, we are satisfied that the remit of the manager has been met. We have therefore decided to end the appointment of the statutory manager at Fairfield from the end of May 2020. However the statutory appointees to the Management Committee will continue until September 2020 when we will review our engagement strategy.

### **Statutory Appointees' Remit**

The appointees' remit is to:

- continue to address the serious and urgent risks to Fairfield's tenants and service users' interests arising from the failure to comply with Regulatory Standards;
- support Fairfield to ensure that it complies with Regulatory Standards;
- support Fairfield to implement and review the shared services arrangement and further review of constitutional partnership options to ensure the best strategic solutions for its tenants and service users; and
- establish whether Fairfield is able to sustain and build on the improvements made to comply with the Regulatory Standards without external support.

Fairfield will now work to embed the shared service arrangements with Kingdom and deliver the remaining actions from its improvement action plan to ensure that it is able to comply with the Regulatory Standards of Governance and Financial Management. This will include a review of its constitutional options including potential long term partnership options with Kingdom. It is developing a timeline for this but COVID-19 will impact on the

timescales for this. We will engage with Fairfield on its longer term financial health as it considers this further.

Fairfield has been undertaking work to review and update its investment plans. This will take account of the impact of the pandemic upon the plans and this will be reflected in a new and revised business plan in due course. We will review the outcome of this work when it is complete.

Due to Fairfield's non-compliance with Regulatory Standard 6 we will require additional assurance around governance capacity. In order to address this Fairfield is considering amendment of its Rules to adopt Housing Association rules, enabling recruitment of a more diverse governing body.

The Chief Executive and governing body appointees will report directly to us monthly on progress with addressing their remits.

## **What Fairfield must do**

Fairfield must:

- update us on a monthly basis about its progress in respect of the shared services with Kingdom and its progress towards implementing its governance and financial management improvement plan;
- update us on its progress with the review of its constitutional and partnership options; and
- send us when available:
  - its monthly governing body papers and minutes;
  - its approved business plan and updated risk register;
  - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
  - a comparison of projected financial loan covenants against current covenant requirements;
  - financial sensitivity analysis which considers the key risks and compares the resulting covenants with the actual current covenant requirements; risk mitigation strategies for each of the key risks considered should also be provided;
  - report to the Committee in respect of the approved 30 year projections, sensitivity analysis and covenant compliance; and
  - evidence of how it demonstrates affordability for its tenants.

## **What we will do**

We will:

- review Fairfield's progress in implementing the shared services agreement, improvement plan, its constitutional and partnership options;
- review the business plan and projections;
- consider the monthly reports on progress from the Chief Executive and appointees;

- meet the Chair and appointees to discuss progress with the shared services agreement, improvement plan, business plan and financial projections and the key risks and challenges facing the organisation;
- liaise as necessary with Fairfield to ensure that its Annual Return on the Charter is accurate; and
- update our published engagement plan in light of any material change to our planned engagement with Fairfield.

## Regulatory returns

Fairfield 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 Fairfield>](#)

### Our lead officer for Fairfield Housing Co-operative Ltd is:

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