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Convener of Local Government, Housing and Planning Committee,
The Scottish Parliament,
Edinburgh,
EH99 1SP

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Dear Convener and Members of the Local Government, Housing and Planning Committee,

Thank you for allowing me to attend the meetings of the Local Government, Housing and Planning Committee on 3rd and 17th December 2024. I greatly appreciated the opportunity to ask questions during the Committee's scrutiny of the Scottish Housing Regulator (SHR). Following the evidence provided by representatives of the SHR, I am writing to highlight inaccuracies or misrepresentations and to offer further observations.

Given the time constraints of the committee meeting, I asked only a small number of questions and did not feel it was the appropriate forum to challenge Mr Walker on several points with which I took issue.

Trust and Fear

A recurring theme during the evidence sessions was the lack of trust in the SHR among stakeholders, particularly smaller housing associations and co-operatives. Several expressed fear of engaging with the Regulator. SHR representatives repeatedly claimed no such concerns had been raised directly with them. However, this response ignores the core issue: if Registered Social Landlords (RSLs) are fearful of the SHR, it is unlikely they would voice concerns directly.

I draw the Committee's attention to prior media coverage, including articles in *Scottish Housing News*, and earlier Committee sessions that highlighted these issues. The SHR's dismissal of these claims demonstrates a troubling lack of acknowledgement.

The Call for Views included submissions underscoring this fear, such as George Thom's statement:

"I am also concerned that people working in the sector will not come forward for fear of retribution by the Regulator."

Despite this, George Walker stated:

"We believe that, in broad terms—it will not be perfect; nothing is—we have good levels of trust among the bodies that we regulate and our wider stakeholders. That is borne out by the bulk of the feedback to the committee."

This interpretation is questionable. While larger housing associations and councils reported more favourable experiences, smaller associations provided significantly more critical feedback as did Co-operatives UK on behalf of cooperatives.

Further, my correspondence with the SHR, shared with you in my letter of 29th June 2023, demonstrates a pattern of stonewalling and evasion.

Costs of Intervention

Interventions by the SHR incur significant costs. While direct costs are reported, the true financial burden is far higher. The SHR's 2019 final report on the intervention at Dalmuir Park stated:

“The statutory manager’s services and expenses for the period from December 2017 to 31 March 2019 amounted to £118,722.15, excluding VAT. These costs were partly offset by wider savings in staffing levels and substantial improvements in performance.”

This equates to a statutory manager fee of approximately £1,000 per day, which appears to be standard. However, this is far from the full cost of that intervention. At Dalmuir Park, significant compensation payments were also made to staff for loss of office (£67,500 in 2017/18 alone), and fees were paid to at least four other consultants. These additional costs are not itemised in the annual accounts, making it misleading to present the statutory manager's fee as the sole financial impact.

As these costs are ultimately borne by tenants, greater transparency is essential. Full disclosure of the total financial costs of such interventions is needed. Additionally, the value for money of statutory managers and the appropriateness of their self-employed status with associated VAT implications require investigation.

Dalmuir Park Housing Association

I must take issue with several comments made by Mr Walker during the session regarding Dalmuir Park. He stated:

“Your requests related vague non-specific allegations. We asked for further information, which we had not received. We offered to meet with your constituents who were raising the allegations and, as you know, those offers were never taken up.”

He also said:

“Vague allegations, such as that somebody felt uncomfortable with an unnamed person or that it was difficult or that somebody felt bullied by an unnamed person, are not something that we could easily take forward in any fashion.”

This account significantly misrepresents the situation. As outlined in my correspondence with the SHR, which I attached to my letter of 29th June 2023, the allegations were specific, including dated incidents, named individuals, and a meeting minute referencing the dismissal of the Chief Executive before any formal investigation or the commencement of statutory intervention.

The former Convener of the organisation, John Gilleese, was a named complainant, along with two anonymous complainants (one of whom was my constituent). All three provided detailed allegations and expressed a willingness to meet with an independent investigator, as conveyed to Mr Walker in my letter of 28th February 2022.

In a letter dated 15th March 2022, Mr Walker refused to appoint an independent investigator, instead relying on assurances from the very staff implicated in the allegations. At the Committee hearing, Mr Walker stated:

“I personally sat with the team that took part in the intervention.”

This falls far short of a rigorous, independent investigation into the serious and detailed allegations I submitted. Mr Walker also did not meet with the statutory manager or the co-optee about whom specific complaints were made.

I also have concerns that the SHR's issuing of instructions to a voluntary management committee regarding operational conduct before any formal intervention exceeds its legal powers. The chair of the organisation also provided a statement, shared with Mr Walker, indicating that he was suspended from the organisation, which is certainly beyond the SHR's legal powers before statutory intervention. As you will note from the correspondence, Mr Walker did not address these points, instead insisting that:

"SHR does not direct the work of Associations."

This assertion appears to be contradicted by the evidence presented to me by the three complainants.

Additionally, Mr Walker described Dalmuir Park as *"a very troubled organisation that was in difficulty."* However, performance data prior to the intervention contradicts this characterisation, showing above-average results in most areas. Post-intervention, performance indicators declined, and tenants faced steeper rent increases. These significant costs and poorer outcomes raise serious concerns about the proportionality and effectiveness of the SHR's actions and their impact on tenants.

Tenant Awareness

An area raised in the course of the evidence gathering was low tenant awareness of the SHR. George Walker said *'To be honest, however, I am probably a little frustrated about those low levels of knowledge. I wish that we had the budget to spend on campaigns to raise awareness, but the reality is that we do not.'*

However, given that the SHR returned £130,000 to the Scottish Government last year, they are clearly in a strong financial position with adequate resource and budget may well have been available to the SHR, had a campaign in this area been a priority.

Mergers

The perception persists that the SHR encourages smaller community housing associations and co-operatives to merge into larger entities. Mr Walker stated that the SHR is "agnostic" on mergers. However, being agnostic is insufficient when mergers disproportionately affect smaller associations.

During the evidence session, Mr Walker stated:

"The board's view is very much that we do not want to encourage mergers."

However, culture is shaped as much by what is permitted as by what is actively encouraged. The SHR's "agnostic" approach does not address the sector's concerns about the unintended consequences of its regulatory interventions.

Alexander Stewart MSP asked:

"The forum's view is that there should be greater acknowledgement of the consequences of losing a smaller community housing association to a larger one. Can you update the committee on how you would respond to its suggestion about how that can be achieved in practice?"

In response, Michael Cameron stated:

"The legislation that we work within does not really empower us to take a view in that fashion; instead, it sets us to regulate each landlord in the same way."

While the legislation requires consistent and proportionate regulation, the SHR's risk-based approach seems to view smaller housing associations and co-operatives as inherently riskier. This has led to disproportionate intervention in smaller associations, while significant governance failings at larger organisations, such as Dumfries & Galloway Housing Partnership (DGHP), went unnoticed. At the time Scotland's second-largest RSL, DGHP faced no intervention until serious governance failings were uncovered in 2017, resulting in it

being absorbed into the Wheatley Group.

Small, community-run housing associations and co-operatives are vital anchor organisations for local communities. They promote community wealth-building by retaining decision-making power and resources locally. Interventions that destabilise these associations and pass on costs to tenants undermine the SHR's core mission to safeguard tenants' interests.

Further investigation is required to better understand how this culture has come about and what changes are necessary to ensure that smaller, community-based housing associations and co-operatives are not unfairly disadvantaged.

Bullying Allegations

Serious allegations of bullying have been made against the SHR. Representations have been made to me in confidence by several individuals and organisations who have described interactions with the SHR that amount to bullying. The long-term effects of these interactions have been deeply damaging to careers and personal health.

I was particularly disturbed by Mr Walker's remark during the evidence session:

"One person's bullying is another person's strong intervention."

This flippant dismissal of serious claims is unacceptable. If there is a perception by those on the receiving end of SHR intervention that their actions amount to bullying, this raises serious questions about the proportionality and appropriateness of its so-called "strong interventions."

The SHR's regulatory framework commits it to working in a way that promotes equality and human rights. Yet Mr Walker's remark suggests that these principles may not apply to the SHR's interactions with external stakeholders.

Independent Appeals Process

The lack of a robust mechanism to challenge SHR decisions is a recurring issue. As we heard in evidence, the SHR has yet to commission any independent investigation into the actions of its own staff or agents. This figure is surprising and underscores the need for a statutory independent mechanism to ensure accountability.

Amending the current Housing Bill to allow RSLs and committee members to appeal to the First Tier Tribunal General Regulatory Chamber, as charities and trustees can, would address this gap. I urge the Committee to support my proposed amendment to the Bill, which would bring much-needed accountability and transparency to the SHR.

Conclusion

In addition to the need for an independent appeals process, I believe this Committee must instruct a more thorough investigation into a sample of previous interventions, including that at Dalmuir Park. The Committee, and indeed various previous committees of this Parliament, have heard enough evidence to have concerns about the operations of the Scottish Housing Regulator.

This is the only way that we as Parliamentarians can be assured that the SHR is meeting its statutory remit, has not exceeded its legal powers, and to learn lessons for regulation more widely. This is also the only way to ensure that the sector has full confidence and trust in the regulatory process.

Thank you again to the Committee for its important work in this area. I look forward to its findings and recommendations.

Yours Sincerely,

Evelyn Tweed MSP