

## **DGHP Position Statement**

**In an open letter to all tenants, DGHP's Chairman David McMillan said:-**

I am sure that some of you may have read recent newspaper articles about DGHP and its appointment of R&D to demolish and re-build new homes in Lochside in Dumfries and Dicks Hill in Stranraer.

The Board and I have resisted responding to date. We have, however, discussed the matter with the Federation of Tenants' and Residents' Association because we want our tenants, who are after all THE most important people in DGHP's operations, to know the facts about R&D and its contract with us. We therefore feel the time is right to set the record straight.

We believe there are **five key facts** that we need to clarify:-

### **1. Did we pay R&D £77million before it ceased trading?**

No. This was the estimated cost of demolishing all the old properties and building new ones in both Lochside and Dicks Hill – in other words, £77million was the total value of the regeneration contract.

However, we only paid R&D for works it completed. For example, when the foundations for a particular phase of properties were concluded, an invoice would be submitted and checked for accuracy – and value for money – by our Architects and Quantity Surveyors. Only once these thorough checks were completed did we pay for that work. This is normal arrangement for a construction contract.

In addition, and as part of managing risk, DGHP also retained monies that acted as our “insurance” against any future losses we may have incurred. In this case, the money retained covered the cost of having to re-tender the contract after R&D ceased trading. This was good management because DGHP did not incur any additional cost.

### **2. Has there been any loss of public money?**

No. Funds for the regeneration work came from the Scottish Government, Dumfries and Galloway Council, and DGHP's own private finance. Every penny of this funding is accounted for, and has been audited each year by our external auditors as part of the preparation of our annual accounts. Our accounts are published publicly every year.

### **3. Should R&D have been appointed?**

Yes. When the Scottish Government, Dumfries and Galloway Council and DGHP undertook this regeneration programme back in 2009, a detailed tender process was undertaken in accordance with procurement law.

R&D's tender was scored by all parties to be the best. At that time, we carried out detailed financial testing to ensure that all tendering contractors were financially stable enough to carry out a contract of this size. Like the other contractors, R&D passed the financial tests.

These financial tests were recently reviewed – through an investigation carried out by a respected firm of auditors – and it was found that DGHP acted correctly by appointing R&D. This investigation report is on our website.

It is important to note that in 2009/10, the construction industry hit an all-time low with the downturn in the economy and 1,750 companies across the UK suffered the same fate as R&D.

#### **4. Are our tenants' new homes in poor condition?**

No. Our tenants, in the main, are very happy in their new homes. To give you some reassurance, we have had two independent structural surveys carried out. These not only looked at the physical condition of the properties, but also considered the level of day-to-day repairs that have been required since tenants moved in. Both surveys came back saying that the houses were built to a very good standard.

In addition, an independent market research company managed to speak personally with 240 tenants living in these new homes:

- 99.2% of those surveyed were very satisfied or satisfied with their home when they moved in
- 93% remain very satisfied or satisfied today. We have contacted those who expressed dis-satisfaction and, of the 16 tenants we talked to, 5 raised issues that were not in fact connected to the condition of their property e.g. location, garden etc and we have addressed all the remaining matters directly with the tenants concerned.
- It is also good to note that over 98% of those surveyed felt that moving to their new home had a positive impact on their life

We hope to be able to build a lot more homes in the future so more tenants can benefit in this way.

#### **5. Who is submitting a petition about the appointment of R&D?**

It is my thoughts that a number of unions are representing those sub-contractors who lost money when R&D ceased trading.

We are, of course, sympathetic to anyone who lost money as a result of R&D being liquidated, but DGHP did not employ or have any direct relationship with any sub-contractor.

These sub-contractors entered into their own commercial terms with R&D and we would have expected them to consider how they could protect themselves against any risk – as DGHP did – especially at a time when the construction industry was suffering as a result of the global economic situation.

R&D was a well-established, well-respected company and many of us either worked for and knew someone who worked for it over the years. Their demise was most unfortunate, but our priority is – and always will be – to protect your interest and that of your 10,300 fellow tenants. We believe we have done that.

I hope this information clarifies matters for you.

Best wishes

David McMillan

6 March 2015