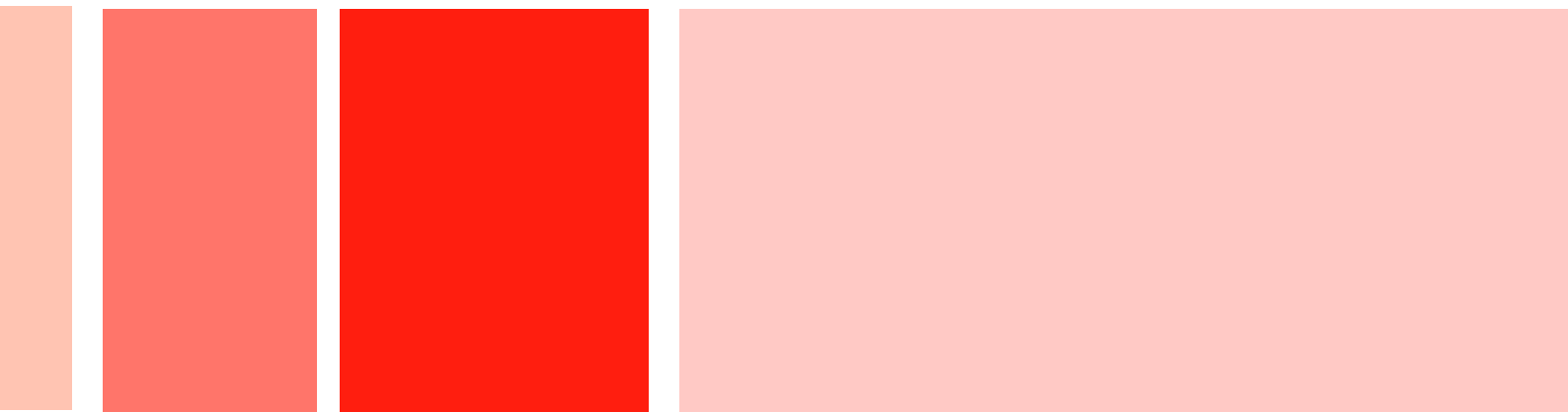Llywodraeth Cymru
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Sector Study on Governance of Housing Associations Registered in Wales

Research commissioned by the Welsh Government on behalf of the Regulatory Board for Wales

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Campbell Tickell Ltd

Views expressed in this report are those of the researchers and not

necessarily those of the Welsh Government

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Glossary

National Council	Governing body of Community Housing Cymru
Nolan principles	The Committee on Standards in Public Life, established in 1994 under the chairmanship of Lord Nolan, was a response to concerns about conduct by holders of public office. The first report of the Committee on Standards in Public Life in 1995 established the *Seven Principles of Public Life*: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
Registered Social Landlord	A Welsh body registered with Welsh Ministers under Part 1 of the Housing Act 1996.
Housing associations	Registered Social Landlords, and non-profit making voluntary bodies formed to provide social housing.*
Community mutual	A type of Registered Social Landlord and non-profit organisation with purposes to benefit the welfare of tenants and the community through a model of community ownership. All registered tenants may become members of the organisation and the constitution allows them a significant level of control in the running of the organisation.
Traditional associations	Non-profit making voluntary bodies formed to provide social housing and registered with the Welsh Government, which have not been established through the transfer of ownership of Council-tenanted properties.
Transfer organisations	Organisations which have been established as a result of tenants voting in the majority in a ballot to transfer the ownership of social housing properties from the Council to an organisation newly established to receive ownership of those homes.

Glossary of acronyms

BM   Board member

CEO   Chief Executive Officer

CHC   Community Housing Cymru

CIH   Chartered Institute of Housing

CIPD   Chartered Institute of Personnel Development

FVJ   Financial Viability Judgement

HA   Housing Association

HARA   Housing Association Regulatory Assessment

LSVT   Large Scale Voluntary Transfer

NHF   National Housing Federation

RBW   Regulatory Board for Wales

SA   Self Assessment

TAP   Tenant Advisory Panel

TPAS   Tenant Participation Advisory Service (Cymru)

WG   Welsh Government

*Note: when the terminology 'housing associations' is used in this report, it refers to all housing associations, community mutuals and other kinds of transfer organisation registered with the Welsh Government. 'Traditional associations' refers to those associations which have not been established as a result of a transfer, and 'transfer organisations/associations' to those which have.

Glossary of modes of governance

In this report, we draw from research in the US on governance (*Governance as Leadership*, 2005), which identifies three modes of governance:

Fiduciary   Ensuring that the organisation is well run, financially sound, compliant with relevant laws and regulations, faithful to its mission

Strategic   Setting the organisation's priorities and course, deploying resources accordingly, monitoring delivery, developing and reviewing various strategies

Generative   Engaging in deeper enquiry, exploring root causes,
                    probing assumptions and generating new ideas and
                    courses of action.

Aims and key questions

Aims

1.1   The purpose of the study, as set out in the Brief issued by the Welsh Government, is to:

- Assess the effectiveness of the current governance practices of housing associations and community mutuals against the standards of governance set out in Community Housing Cymru's Charter for Good Governance and against key features of the Regulatory Framework

- Consider relevant matters about governance and debates in other related sectors to identify lessons for the housing association sector

- To help future proof and support fit-for-purpose governance among housing associations, identifying training, development and capacity building needs to strengthen the approach to and practice of governance to meet future challenges, which include an increasingly difficult financial environment and the impact of welfare reform

- To stimulate a greater focus on good governance and continuous improvement as the basis for a well-run sector.

Key questions

1.2   In exploring governance, the sector study was asked to answer the following questions:

- To what extent can housing associations demonstrate the achievement of standards for effective governance set out in Community Housing Cymru's Charter and supporting guidance?

- To what extent can housing associations demonstrate effective governance in implementing key requirements and features set out in the new Regulatory Framework?

- To what extent do associations foster a governance culture which enables constructive challenge, effective decision making and good outcomes?

- To what extent are the housing associations' governance arrangements fit for the future challenges faced by the sector?

Methodology

1.3 The research team undertook a multi-modal approach, comprising a literature review, desktop research and qualitative fieldwork. The research methods were overseen by a steering group of eight members. All of the research took place across the course of April and May 2013.

1.4 An extensive literature review on good governance across different sectors resulted in a separate stand-alone report, which is summarised briefly in chapter 3 of this report and informs thinking throughout the report.

1.5 A survey (through an emailed Word form – see Appendix 7) of how governance is structured at all 37 registered housing associations and community mutuals met with a 100 per cent response rate.

1.6 As part of the qualitative research, we undertook case study research into five organisations, which were chosen to offer a diverse range of type of organisation (traditional associations or LSVTs), size (in terms of numbers of homes let) and geography (North, South and Mid-Wales). (The organisations are labelled A-E below to preserve anonymity.) For each organisation, we examined a range of governance documents, observed a board meeting, and interviewed a member of the executive (the chief executive in four out of five of the organisations) and the chair. Other qualitative research conducted comprised:

- Telephone interviews with the vice-chair, chair of audit and a board member of case study organisation A

- A meeting with residents at the premises of case study organisation B

- A meeting with board members at the premises of case study organisation B

- A focus group for residents (from two organisations) at a venue organised by case study organisation C

- A focus group for board members (from four organisations) at case study organisation C

- A focus group for board members (from three organisations – two bearing a relationship with each other) at the premises of case study organisation D

- A focus group for residents at the premises of a non-case study organisation (three organisations present, including residents from one of the case studies)

- A focus group for board members (from three organisations – two bearing a relationship with each other) at the premises of a non-case study organisation.

1.7 Through the focus groups with residents, we engaged with 26 residents in total from eight organisations. Three focus groups were also held with board members through which 17 participants from 10 organisations spoke with us.

1.8 The views of members of the Tenants Advisory Panel were sought via emailed questions and a telephone conversation with a member of the Panel mandated to speak on its behalf.

1.9 We conducted telephone interviews with 17 executive and non-executive members from 16 organisations, and face-to-face and/or telephone interviews with 10 other stakeholders, including members of the Regulation Team, executive staff of Community Housing Cymru (CHC), one of the authors of an interim evaluation of the regulatory framework, three consultants currently working on governance assignments, and a senior civil servant from the Housing Policy Division of the Welsh Government.

1.10 For eight of the associations we interviewed by telephone, we also reviewed the following governance documentation: board agendas for the last year; the risk map; and any role descriptions for board members and for the chair.

1.11 To experiment with modes of research that might obtain in the sector beyond the lifetime of this particular project, we tested an online 'live chat' in which three chief executives and two members of Campbell Tickell's team participated. We also posted questions to an online discussion board to which two chairs contributed. One chair of an audit committee contributed his thoughts via email.

1.12 We held a short focus group with some members of the Community Housing Cymru (CHC) National Council prior to one of its meetings. We attended a meeting of the CHC Governance Officers' Network where we were able to ask questions, and we sent on some questions to the Finance Officers' Network for the chair and supporting CHC member of staff to facilitate a discussion.

1.13 Examples of all methods, and detailed observations in relation to board meetings, can be found in Appendices 7-10.

1.14 While a multi-modal approach was adopted as an attempt to explore governance from a variety of different perspectives, it is important to acknowledge that the social housing sector is diverse, that the best way to understand organisations is to invest time in understanding their objectives and cultures, and that time and resources precluded the research team from acquiring that intimacy of knowledge of each organisation. This produces some constraints on what can be confidently asserted in response to the evidence. While it is possible to capture comprehensive data about some practices and governance arrangements, governance also embraces many cultural elements of how boards and senior teams lead, how they consider strategic options and plan for change. Capturing how effectively this happens is complex to do: there is some reliance on personal testimony and perceptions but

also, where possible, an attempt to consider or position perceptions against other forms of evidence.

1.15 Finally, it is worthwhile reminding readers of this report that a number of academic articles have suggested that effective governance as a predictor of future performance is notoriously difficult to measure (see the work, for example, of the CBR research programme on corporate governance at the University of Cambridge)..

Structure of the report

1.16 The remainder of this report is structured in the following way:

- Chapter 2 sets out the key findings
- Chapter 3 sets out a synopsis of the governance literature review, including the approach undertaken; what is known about good governance practice and what lessons can be drawn; and common governance challenges.
- Chapter 4 outlines the governance standards currently in operation across Wales and establishes the criteria used by the research team to evaluate the governance of housing associations.
- Chapter 5 presents the findings regarding the role and functioning of the board.
- Chapter 6 presents findings regarding how well organisations foster an effective governance culture.
- Chapter 7 presents the findings in relation to effective governance and the challenges that the sector considers it is facing.
- Chapter 8 provides some key conclusions and recommendations for housing associations, Welsh Government and other key stakeholders as to the actions that they might take to improve governance within the sector and help it meet future challenges.

Acknowledgements

1.17 We would like to thank all the board members, officers and others who gave of their time to speak with us, and to respond to our consultations. The report has been written by Campbell Tickell, a housing consultancy

working in England, Wales, Scotland and Northern Ireland, with particular experience and expertise of governance issues. (A full set of acknowledgements can be found in Appendix 1.)

Findings Summary

2.1   This research study was required to assess how well housing association boards meet standards of governance in use across Wales, in particular those of Community Housing Cymru's Charter for Good Governance and supporting guidance, and those demonstrated through implementation of the requirements and features of the Regulatory Framework for Housing Associations.

2.2   The changes of the last few years – the Community Housing Cymru (CHC) Charter and Supporting Guidance, the Regulatory Framework, extensive training being available to board members – suggest that there is a wealth of advice available to help housing association boards understand their role and the operation of good governance. The evidence gathered in this research suggests that many of the procedural elements of good governance are in place. It is clear that much thought and work has gone into improving governance over the last few years, and that all boards have given the matter time and energy to address. The evidence suggests that housing association boards understand very well the *theory* of what they are there to do. Because organisations are diverse and the research has not been focused on understanding each organisation in detail, it is difficult to make blanket statements about whether 'the sector' meets these standards.

2.3   We have observed examples of excellence which bear comparison with excellence in other sectors, for example in relation to clarity of and investment in shaping the board's leadership role and forging collaborative partnership working with the executive.

2.4   There has also been evidence to suggest mediocrity or lack of alacrity in some organisations (for example, boards being reactive or appraisal not taking place), and there has been evidence to suggest that some boards and senior teams know they are not yet at the standard they ought to be but are on the journey to get there and need more time to do so (for

example in relation to a more systematic approach to seeking board skills).

2.5 It is clear that some organisations also face barriers that hamper their wish to improve, for example in relation to recruiting key skills or addressing board diversity, having unplanned board change imposed on them (e.g. through local authority elections), or sometimes simply feeling unsure as to the best way to implement a process (such as board appraisal or board renewal and succession planning). Testimony from interviewees suggests that these barriers do impact upon the quality of governance.

2.6 While prescription in itself is not a cure for all ills, it is unusual (in comparison with other sectors) that there is no Code of Governance for the sector.

2.7 In terms of how well housing associations foster a governance culture which enables constructive challenge, effective decision making and good outcomes, the research findings suggest that challenge is sometimes very narrowly interpreted as the board operating in an oversight or fiduciary role. There is evidence that some organisations are using the spaces beyond board meetings (e.g. task and finish groups with executive staff) to develop their approach to challenge and support and to operate more in the strategic and generative governance modes that underpin board leadership. A minority do not appear to be engaged in networks and forums outside their organisations. Interviewee testimony also indicates that some boards are overly operational and therefore unlikely to be leading, directing and taking decisions as opposed to simply receiving and approving executive proposals. In essence, it is difficult to judge from the available evidence how effectively boards engage in shaping strategy and orchestrating what they see as the 'big questions' for discussion for their organisations.

2.8 Throughout the fieldwork there were some small indicators to suggest (but not conclusively) that a minority of boards do not attain satisfactory standards of governance: they do not understand their role in modelling and framing a culture for their organisations and lack self-awareness of the gap between their own performance and high standards of

governance. Examples of these kinds of indicators include insularity, unwillingness to share information with resident structures, resistance to board appraisal, and inappropriate challenging of members of staff.

2.9 In terms of whether governance arrangements are fit for purpose for meeting future challenges, the predominant view across the fieldwork was that boards and governance needed a step-change in order to respond in a managed and proactive way to this changed and tougher operating environment. Mostly, interviewees held a view that this was a shared challenge and that they would benefit from tackling it in a shared way. In practice, the step-change requires the implementation of a range of measures and initiatives, rather than being confined to one big idea or answer.

Key Findings

2.10 We set out below the key findings in more detail against the evaluation criteria derived from the various governance standards identified in the brief.

The role and functioning of the board

2.11 The research found that there is almost comprehensive sign-up to the CHC Charter, and nearly all housing associations have role descriptions in place for board members. The evidence suggests that housing association boards understand very well the theory of what they are there to do, and this deduction was borne out across all of the strands of the research.

2.12 Recent thinking around governance across sectors has placed much greater emphasis on board behaviours and culture. In this study, only just over half of associations had in place person specifications, and the variation of quality and investment in the content of role descriptions, person specifications and codes of conduct reviewed was very wide. Nevertheless, a strong appetite emerged among organisations to establish and promote a clear understanding of the board member role.

2.13 Other research suggests that the role of a board member has become much more demanding, a change which is supported by this research. Chairs in particular mentioned the demands of their role equating to a

day (or, in one case, a day and a half) per week. Some board members feel at the limits of what they can cope with in terms of what they stress is a 'voluntary' commitment.

Board size and composition

2.14 The social housing sector across the UK has often favoured a larger size of board than may be advocated in other sectors because of the desire to include stakeholders on the board; the fact that Welsh housing association boards tend to number between eight and 16 members simply reflects this fact. This study revealed that some of the organisations operating 15-strong boards favour and expect to be able to have smaller boards in the future. The direction of change in the sector is towards smaller sized boards, and some of these have come about as a result of governance reviews.

2.15 There was a lot of criticism from interviewees of the board composition dictated by the Large Scale Voluntary Transfer (LSVT) model, in particular with the behaviour and commitment of Council nominees. There was a desire to have more flexibility in how this model operates.

2.16 The majority of associations have carried out skills audits in the last few years, but only two-thirds have in place skills matrices, which may suggest that how the sector plans for and recruits to a changing operating environment is less well embedded as a practice.

2.17 The survey findings reflect the broader cross-sector challenge to deliver greater board diversity. As is the case in other sectors, women are under-represented on housing association boards, and boards generally comprise older people, with about a third of board members over the age of 65. Positively, the ethnic diversity of boards appears representative of the 2011 Census. Organisations freely admit difficulties in recruiting women and young people to boards.

2.18 With regards to association chairs, many of the trends in wider board membership are more pronounced, with the average age of a chair higher than for other board members, and chairs more likely to be men.

Boards and committees

2.19 Some boards meet very frequently and a third of all association have very long meetings (longer than 2.5 hours). A minority of smaller associations seem to have elaborate sub-committee structures.

The chair

2.20 Respondents to the research showed recognition across the sector of the chair's critical role in shaping the governance culture and chairs themselves were insightful and thoughtful about how they approach their roles. While the expectations of chairs are clear, the qualitative research and the online discussion board have demonstrated that chairs would like more guidance in how to carry out their roles well.

The executive and non-executive relationship

2.21 There is evidence to suggest that the central nature of the chair and chief executive relationship to the governance and organisational culture of the organisation is well understood. There were positive examples of approaching improvement as a joint endeavour. How the partnership approach is extended beyond that pivotal axis to the wider board and executive team appears perhaps slightly less well developed in the sector.

2.22 There is no strong appetite in the sector to have executives on the board.

Board recruitment and renewal

2.23 There has been a general shift in the sector towards more rigorous recruitment methods, and the consensus is that this has helped to strengthen governance.

2.24 There are concerns about the talent pool and skills base from which voluntary non-executives can be drawn. Some boards have struggled to recruit to fill skills gaps.

2.25 There is evidence to suggest that a number of housing associations have struggled to deliver meaningful involvement of service users (residents) in governance, but there is a strong commitment to tenant involvement at board level, and a determination to provide tenant board members with the support and training they need to function well as

board members. There was evidence (both reported and observed) of robust and useful challenges that tenants had made on key issues being debated by their boards, but there were also instances where boards had been disappointed by the contribution of particular tenant members, despite the investment made in training and support.

2.26 There was a divergence of views about the merits of skills-based selection as opposed to election of tenants to boards. But there was agreement that really there should be no 'tenant board members', but simply board members who happened to be tenants, and greater flexibility in respect of how many residents are required on the board. Similarly, there was good agreement about the need for tenant scrutiny and involvement mechanisms to have clear and direct links to the work of boards.

2.27 Just under half of all associations do not have maximum terms for board members (in comparison with Community Housing Cymru's 2011 survey findings this appears to be an area in which there has been little or no change). Of the total number of board members, 12 per cent have been on the board for eleven years or more. More positively, maximum terms for chairs are in place in most organisations.

2.28 For some associations, anxieties about the success of succession planning (and how chairs tackle it) lead to reluctance to let go of long-standing members and lose skills, experience and historical memory from the board.

Remuneration

2.29 Interviewees and focus group attendees often raised unprompted the issue of whether board member remuneration would help to improve the ability to recruit board members. There was a range of views about the desirability and impact of such a step, and much openness of view as to whether this should become an option.

Board culture

2.30 There is a general consensus across board members that the culture of governance has been improving over recent years and that boards are more able to effectively challenge senior staff.

2.31 Some of the evidence would appear to suggest that challenge is interpreted primarily as diligent probing of presented information, and rather less so as challenge of assumptions and options. There were some reservations from members of staff and from residents about the quality of challenge.

Design of the board's work

2.32 The research revealed many promising signs that boards have been trying to focus their board meetings on the things that matter through how they design and prioritise board agendas, and through being more vocal about getting information that is designed for their needs.

Beyond the board meeting

2.33 It is difficult to judge from the available evidence how effectively boards engage in 'being strategic', in forward planning, scenario consideration and the 'bigger picture' (the generative aspects of governance).

Training

2.34 The majority of housing associations have board member training firmly embedded within their 'menu' or plan of governance activities (board meetings, sub-committee meetings, away days etc.) across the year. There was no strong demand for more training, only for greater flexibility in how training is offered because of the difficulty of securing board member time to participate in it.

Appraisals

2.35 Appraisal is still becoming established across the sector – it is not a feature in every organisation. While evidence elsewhere focuses on the critical influence of the chair on the culture and performance of the board, the research found that only two-fifths of chairs are being appraised. A minority of organisations linked review of satisfactory performance to reappointment of board members.

Putting the citizen first

2.36 There are different views on how successfully associations demonstrate that they put the citizen first, with evidence from residents that a culture shift has yet to happen in some organisations. Residents were keen for their voice to be heard and responded to by the board, and for boards to

combat insularity by ensuring that members engaged outside their organisations with other organisations and peers.

Living public sector values

2.37 Interviewees mostly interpreted public sector values narrowly as referring to openness and transparency (perhaps because these are highlighted in the Regulatory Framework's Delivery Outcomes). There was little evidence to suggest that boards had put much time into considering how best they might make openness and transparency meaningful in how they work. Other findings – for example, interviewee concerns about whether introducing the remuneration of board members would dilute the purity of commitment of board members – suggested that other values (selflessness, integrity) do inform how board members and senior staff view the board member role, even if these are not referenced as public sector values.

Meeting future challenges

2.38 There is strong consensus about the kind of future challenges faced by the sector, with executive and non-executive staff identifying greater risks to how organisations deliver on objectives, more complexities about the funding of social housing, and changing relationships with residents and others. Many anticipated needing new skills on boards to respond to these changes, and some spoke of the need for a culture shift. Board members indicated that they would welcome more discussion to advance their understanding of and approach to risk and finances. From the limited evidence, it was difficult to gauge how effectively boards look forward (for example, in modelling outcomes or scenarios).

2.39 While there was enthusiasm for a stronger degree of sharing and mutual learning across the sector, it was felt that the vehicles to do so were inadequate.

Regulation

2.40 The findings from this study reflect those of the interim evaluation of the Regulatory Framework, namely that boards would like the regulator to focus more on governance and financial viability as part of a risk-based approach to regulation.

Approach

3.1   The aim of the literature review was to examine relevant debates about governance in other sectors to identify any lessons for the housing association sector in Wales. The sectors we researched were: corporate; public services (in general); central government; local government; charity/voluntary; housing (England, Scotland, Wales); health; education; and probation. As debates in UK governance have often been influenced by developments in the United States, we included some American literature in our review.

3.2   The literature search turned up over 350 items which were distilled down to 210; the majority of the literature reviewed was published in 2009 or later.

3.3   The findings of the review are set out in a separate report. We identify here some of the key issues and highlight lessons from the review.

The basics of good governance

> **Lesson 1.** There is broad consensus, across all sectors, about the basics of good governance.

3.4   Governance across different sectors has become more homogeneous over the past 20 years, with 'good governance' described in similar terms across all sectors. There are three documents, originating in different sectors, that have been influential in shaping current thinking on good governance and which still provide excellent guidance for any organisation aspiring to the highest standards of corporate governance: the *UK Corporate Governance Code* (2012); *Seven Principles of Public Life*, the first report of the Committee on Standards in Public Life (chaired by Lord Nolan),1995; and the *Good Governance Standard for Public Services* (commission chaired by Sir Alan Langlands), 2004.

Effective governance

> **Lesson 2.** Boards need to think deeply about the behaviours they display, not just about the structures and processes that they put in place.

3.5 Enquiries into corporate governance in the wake of the 2008 failures in the financial sector found that deficiencies in governance related much more to patterns of behaviour than to structures. 'The most critical need', reported Sir David Walker in 2009, '*is for an environment in which effective challenge of the executive is expected and achieved in the* boardroom.*'* The connection between board challenge and organisational performance has been reported in other sectors too.

> **Lesson 3.** Good governance in the not-for-profit sector is not just about doing work better; it's about ensuring the organisation does better work.

3.6 New thinking about the role of the board in the not-for-profit sector has emerged from the United States in recent years (*Governance as Leadership*, 2005) and has aroused interest. It defines three modes in which the board should be effective:

- fiduciary – ensuring that the organisation is well run, financially sound, compliant with relevant laws and regulations, faithful to its mission;

- strategic – setting the organisation's priorities and course, deploying resources accordingly, monitoring delivery, developing and reviewing various strategies;

- generative – engaging in deeper enquiry, exploring root causes, probing assumptions and generating new ideas and courses of action.

> **Lesson 4.** Boards should consider a wider range of tools beyond the board meeting.

3.7 Boards need to have opportunities to engage in activities that help them to frame issues differently. It is important that boards surface and debate their assumptions about how a board is supposed to work, and how they will allocate their time to add most value for the organisation.

> **Lesson 5.** Well-informed, high-quality decision-making does not happen by accident.

3.8 Boards can minimise the risk of poor decisions by investing time in the design of their decision-making policies and processes.

> **Lesson 6.** The board must retain strategic responsibility for risk decision-taking.

3.9 The approaches that the board takes to identifying and managing risk has been one of the most hotly debated governance issues in the wake of the 2008 financial crisis. It is widely agreed that good corporate culture is fundamental to good risk management and that it is for the board to set the tone at the top. Clear roles and lines of accountability through the organisation are vital, with the board retaining strategic responsibility for risk decision-taking.

Getting the right people on board

> **Lesson 7.** Training, one-to-one mentoring and personal feedback are key ways of increasing board member effectiveness.

3.10 With the role of the board member becoming more demanding, research in the corporate sector identified the importance to individual effectiveness of methodical induction and training, an annual review of board performance, and personal feedback to board members.

> **Lesson 8.** However effective structures and processes may be, there is no substitute for the quality of the chair.

3.11 The importance to board effectiveness of the quality of the chair is recognised across all sectors. The Financial Reporting Council's *Guidance on Board Effectiveness* noted: 'Good boards are created by good chairmen. The chairman creates the conditions for overall board and individual director effectiveness.'

Lesson 9. Diversity in board composition is seen as an important driver of a board's effectiveness.

3.12 Although diverse boards are seen to do better, there continue to be barriers to achieving board diversity, including: inadequate advertising and search; role and person specifications not reflecting broader competencies, transferable skills and relevant experiences; and competing pressures for adding expertise, such as financial risk management.

Lesson 10. Payment for board members in the public and voluntary sectors is now common and can help to strengthen governance.

3.13 There is the facility to pay board members across a range of sectors, including the social housing sectors in England and Scotland. The National Housing Federation's 2013 board remuneration survey (NHF, 2013) found that of the 106 survey respondents that pay their board members just over two-thirds thought it had led to increased success in board recruitment, three-fifths considered it to have increased individual board member commitment, and just over a half considered it to have increased board performance.

3.14 There are of course arguments for and against the payment of board members.

Governance structures

Lesson 11. Other factors – board member skills, time commitment and boardroom culture – matter more than whether or not the chief executive is a member of the board.

3.15 It has been argued for some time that housing associations are now operating in an environment similar to that of private companies where it

is usual in the UK to have executive directors on the board. Inquiries into the failure of corporate governance in recent years have concluded that there was no evidence that any one board structure was more or less resistant to failure.

> **Lesson 12.** Smaller boards do better.

3.16 Research looking at the psychological issues relating to board performance, included in the Walker Review (2009), found that:

'The optimum size for a board is within the range of 8-12 people. When boards are composed of more than 12 people a number of psychological phenomena, namely, span of attention, the ability to deal with complexity, the ability to maintain effective inter-personal relationships and motivation, are compromised.'

3.17 *The Eversheds Board Report* (2011) identified board members viewing the benefits of a smaller board as a greater focus on key issues and quicker decision-making.

> **Lesson 13.** Delivering meaningful accountability in the public sector continues to be a live debate.

3.18 One of the continuing debates around public sector accountability is the scope for a 'trade off' between accountability to government and genuine accountability to service users. There are different examples of models of accountability across sectors.

> **Lesson 14.** There is still uncertainty about the role of citizens and service users in governance.

3.19 *Designing citizen-centred governance* (JRF, 2008) reported that there was still uncertainty about the roles of citizens and service users in governance. The study highlighted the need for those designing governance arrangements to be clear about whether citizens and service users were being involved as community representatives or as individual experts.

> **Lesson 15.** Committee structures should be clear and streamlined and

> add value to scrutiny and decision without duplication of effort.

3.20 Guidance on committee structures is similar across most sectors: committee structures should be clear and streamlined and add value to scrutiny and decision without duplication of effort; there should be clear written terms of reference and the use of any delegated authority properly supervised; arrangements should be regularly reviewed to ensure that they continue to meet the organisation's governance needs.

Support for good governance

> **Lesson 16.** There is a wealth of guidance available on good governance practice.

3.21 We include at Appendix 3 a list of the websites that we consider the most useful. Although some of these are model documents and training materials aimed at a specific sector, in most cases the material gives guidance and is equally relevant to other sectors.

> **Lesson 17.** A key resource for boards is the company secretary (or clerk, or board administrator, or governance officer).

3.22 Under whatever designation, the officer who has responsibility for providing support to the board has a crucial role in helping the board to function effectively. There is increasing recognition of the importance of this role.

> **Lesson 18.** The annual board calendar is a vital tool in helping the board to stay in control of how it spends its time, uses its skills and experience and marshals the necessary resources.

3.23 The board's annual calendar can be seen as the product of four considerations: the topics for the board to consider in the year ahead, the purpose in doing so, the timing and how the board can most usefully engage in the development of proposals, policies or plans.

> **Lesson 19.** No matter how knowledgeable, experienced and diverse board members may be, they are effectively blindfolded until they are provided with the information around which they formulate their

3.24 One governance expert giving evidence to the Parliamentary Commission on Banking Standards in 2012 wrote:

"'Information risk' is arguably one of the biggest risks faced by the board: our banks have not been plunged into crises because of a lack of problem-solving prowess – but because, for far too long, they didn't know they had a problem.'

Lesson 20. The need for well-crafted minutes, that capture the essence of the discussion and record decisions and actions, is often overlooked.

3.25 To facilitate boards following up actions after meetings, of benefit are an action log, or similar, to track the board's agreed actions and decisions, and reviewing the outcome of board decisions.

Current governance challenges

3.26 Current governance challenges identified by the literature review include:

- Challenge 1: Polite consensus. Boards tend to avoid the vigorous debate over big issues that research shows is a key feature of high-performing teams.

- Challenge 2: Imbalance of support and challenge. Frequently board members are unwilling, or lack the confidence and skills, to challenge, especially if there is a close relationship between the chair and the chief executive.

- Challenge 3: Positivity bias – the tendency for leader positivity to become excessive so that leaders believe their own narratives that everything is going well and others are discouraged from raising problems or admitting mistakes.

- Challenge 4: Information risk. Boards can only be as good as the information provided allows them to be. Boards need information – and in a format – that gives them a clear line of sight into the business.

- Challenge 5: Over-reliance on board meetings.

- Challenge 6: Poorly designed board processes and work programmes.

- Challenge 7: Boards not engaged in strategy from the start. Not enough boards are engaged in the creation of strategy at its earliest stages and then throughout its formation. They neither shape strategy nor do they ultimately own or always understand it well enough to monitor it robustly.

- Challenge 8: Boards not adequately fulfilling their responsibilities in relation to risk. The board's responsibilities include determining the organisation's approach to risk, setting its culture, risk identification, oversight of risk management, and crisis management.

- Challenge 9: Compliance governance. Such have been the external pressures that many boards have understandably become focused on compliance with requirements imposed from above. A greater focus on 'creative governance' or 'generative governance' can give the board member a more fulfilling role, make better use of board member skills and experience and enable the board to deliver greater value for the organisation.

- Challenge 10: Underdeveloped board self-evaluation. Although many boards now carry out an annual evaluation of their performance, they are not always sufficiently robust nor do they translate into inspiring governance improvement plans.

- Challenge 11: Insufficient support for the chair. The quality of the chair is the single most important factor in creating an effective board and driving organisational improvement.

- Challenge 12: Underdeveloped succession planning. Within the ethos of 'polite consensus', many boards are unwilling to terminate the membership of longstanding members.

- Challenge 13: Inability to attract and retain high calibre board members.

- Challenge 14: Lack of board diversity. Despite the best efforts of many boards and external agencies, the composition of boards still inadequately reflects the communities served.

- Challenge 15: 'Horizontal accountability' vacuum. As public service organisations are urged to switch from 'vertical accountability' (to regulators and government) to 'horizontal accountability' (to local stakeholders) many boards still find this a challenge.

- Challenge 16: Underdeveloped capacity of service users to be effective board members. Many board members who are appointed or elected to the board from the service user constituency struggle to make an impact or deal with strategic issues.

- Challenge 17: Limited understanding of staff views.

- Challenge 18: Company secretaries as undervalued change agents.

3.27 In framing evaluation criteria and evaluating findings, we have taken these cross-sector challenges into account.

4   Standards of Governance

Introduction

4.1   This section sets out how the criteria, against which the findings have been evaluated, have been derived.

4.2   The brief for this project asked that the commissioned research team addresses the extent to which housing associations can demonstrate both: the achievement of standards for effective governance set out in Community Housing Cymru's Charter and supporting guidance; and effective governance in implementing key requirements and features set out in the new Regulatory Framework. The research team was also asked to consider to what extent associations foster a governance culture which enables constructive challenge, effective decision making and good outcomes, and how fit their governance arrangements are for the future challenges faced by the sector.

Community Housing Cymru's Charter and Supporting Guidance

4.3   Following an extensive consultation with housing associations and community mutuals, Community Housing Cymru launched its simple one-page Charter for Good Governance in May 2010. The Charter encourages (rather than enforces) standards of governance through the expectation that organisations sign up to and seek to adopt a set of commitments, as set out below:

> *As a member of Community Housing Cymru, [name of organisation] commits to achieving the highest standards of governance, specifically to:*
>
>   a) *put existing and potential service users at the centre of our work*
>
>   b) *have in place practical mechanisms to achieve accountability to tenants, residents, potential tenants and residents, shareholders and all relevant stakeholders*
>
>   c) *develop and maintain positive and constructive relationships with*

key stakeholders, including funders and regulators

d) communicate openly about all aspects of the organisation, including strategic direction and purpose, values, standards, performance and how complaints can be made

e) maintain and demonstrate organisational independence

f) be clear about the roles and responsibilities of the board, the audit committee, any subcommittees, boards of any subsidiaries of group structures where relevant, and the chief executive and document these

g) support board members through provision of a job description, information, training and appraisal

h) have in place mechanisms for regular board review and recruitment

i) have a transparent process for deciding the remuneration of the chief executive

j) have in place mechanisms to improve services and ways of measuring when they have improved

k) have in place practical ways to effectively manage risk

l) develop and demonstrate effective means of financial management

m) ensure value for money is achieved

n) *practically demonstrate a commitment to equality and diversity*

4.4   The Supporting Guidance elaborates on how these commitments translate into governance practice, and is organised on principles that are congruent with the Welsh Government's citizen-centred principles. (These principles were established in 2004 in a key policy paper, *Making the Connections*, in which the Government prioritised putting service providers and the people who use services – the citizens – at the centre of public service reform.)

4.5   The Supporting Guidance incorporates two sections, one which sets out the expectations that boards ensure sound financial management and viability, and another which outlines how boards might put the following principles into practice:

A. *Putting the citizen first* – putting the citizen at the heart of everything and focusing on their needs and experiences; making the organisation's purpose the delivery of a high quality service

B. *Knowing who does what and why* – making sure that everyone involved in the delivery chain understands each other's roles and responsibilities and how together they can deliver the best possible outcomes

C. *Engaging with others* – working in constructive partnerships to deliver the best outcome for the citizen

D. *Living public service values* – being a value-driven organisation, rooted in Nolan principles and high standards of public life and behaviour, including openness, customer service standards, diversity and engaged leadership

E. *Fostering innovative delivery* – being creative and innovative in the delivery of public services – working from evidence, and taking managed risks to achieve better outcomes [in particular this focuses on board recruitment, renewal and review]

F. *Being a learning organisation* – always learning and always improving service delivery

G. *Achieving value for money* – looking after taxpayers' resources properly, and using them carefully to deliver high quality, efficient services [in particular this focuses on managing resources and risk, and that the necessary arrangements are in place for audit – other areas receive coverage elsewhere in the principles].

Regulatory Framework

4.6   As of December 2011, housing associations and community mutuals have been regulated by the Welsh Government according to the terms of

its Regulatory Framework for Housing Associations Registered in Wales. The Framework sets out Delivery Outcomes, which are in effect a series of Government expectations around core achievements and operating principles of housing associations.

4.7 The Delivery Outcomes are divided into two parts, those relating to governance and financial viability, and those relating to service delivery. The focus of our research has been on exploring the former, which (for obvious reasons) have a significant degree of congruence with citizen-centred principles and therefore also with the Community Housing Cymru Charter principles. The statements describing the Delivery Outcomes for governance and financial viability are:

- We place the people who want to use our services at the heart of our work – putting the citizen first

- We live public sector values, by conducting our affairs with honesty and integrity, and demonstrate good governance through our behaviour

- We make sure our purpose is clear and we achieve what we set out to do – knowing who does what and why

- We are a financially sound and viable business

- We engage with others to enhance and maximise outcomes for our service users and the community.

Other aims and questions

4.8 We were also asked, as part of the wider purpose of the study, to consider relevant matters about governance and debates in other related sectors to identify lessons for the housing association sector (these are summarised in the previous section), and to stimulate a greater focus on good governance and continuous improvement as the basis for a well-run sector.

4.9 In exploring governance, other areas of focus identified by the steering group for the research team was the extent to which housing associations both foster a governance culture which enables

constructive challenge, effective decision making and good outcomes, and have governance arrangements that are fit for the future challenges faced by the sector.

Evaluation criteria

4.10 The following set of criteria have been derived from a synthesis of the key elements of governance identified in the brief and drawing on a wide range of sources, including: the Regulatory Framework; Community Housing Cymru's Charter and Supporting Guidance; and the governance literature review (see Appendix 4 for the sources informing each criterion):

- The role and functioning of the board
  - o How the board sees its role
  - o The size and composition of the board
  - o The board and committees
  - o The chair (including the chair and executive relationship)
- Board recruitment and renewal
- An effective governance culture
  - o Board culture
    - Beyond the board meeting
    - Design of the board's work
  - o The Company Secretary
- Board learning
  - o Induction and training
  - o Appraisal
- Putting the citizen first
- Living public sector values
- Meeting future challenges

5   The role and functioning of the board – issues and findings

Introduction

5.1   This chapter and the two following include findings from across the
       quantitative research (the survey of all associations) and the qualitative
       research (all of the focus groups, case studies and interviews). They
       also incorporate input from an online chat forum discussion and
       discussion board.

5.2   Since the focus of this study is good governance and there has been a
       recent comprehensive interim evaluation of the regulatory framework
       (see Appendix 2), we have not devoted any more inches to the subject
       of regulation. In essence, respondents views' concurred with some of
       the key findings of the Interim Evaluation of the Regulatory Framework
       for Housing Associations in Wales, namely that regulation ought to be
       more risk-based and tailored to individual organisations in its approach.
       It ought to focus to a much greater degree on governance, risk and
       financial matters rather than on other Delivery Outcomes, and Schedule
       1 ought to be reviewed.

5.3   The research findings are categorised according to the evaluation
       criteria established in the previous two chapters of this report. A
       distinction is sometimes drawn between 'traditional' associations and
       'transfer organisations' because of the different types of governance
       model that they operate.

5.4   These chapters divide each criterion into issues and findings, exploring
       first the kinds of considerations from other research or from our own
       experience as governance consultants that may inform an
       understanding or interpretation of the evidence and findings.

How the board sees its role – the issues

5.5   The role of any board is to be strategic – to set the direction for the
       organisation, to ensure that the organisation is delivering on its purpose
       in an optimum way, to define policies and general frameworks of
       operation for the organisation, to set targets and ensure the resources to

deliver on them. There are always debates about what 'being strategic' means in practice, but the three modes of governance (fiduciary, strategic and generative) identified from a recent source of governance research in our literature review (*Governance as Leadership* and see Section 3.6 of this report) perhaps offer a helpful way of thinking about the board role.

5.6 It is possible to view these modes as a developmental ladder. A mediocre, not necessarily unsafe (depending on the kinds of business activities and external factors) form of governance might see a board primarily camped in its fiduciary role, delivering conformity and compliance, and primarily reacting to the information presented to it. This need not necessarily be unsafe, though a number of contingencies would apply – the complexity of the business, the external environment, the quality and integrity of the executive and in particular that of the chief executive and finance director, and how generally engaged board members feel. Boards can operate in a steady state solely on this kind of fiduciary plane, though there may be questions as to how optimally resources (including the board itself) are utilised to deliver on the purpose. Without the fiduciary role being secured, however (i.e. the organisation is not in some form of deep crisis), the board's engagement in other modes of governance is by necessity constrained and less useful.

5.7 Ideas around generative governance try to answer the question of the board's role and how best to make use of the people on it in a different way through better intellectual engagement of them. This is a mode in which both boards and executive have a role to play.

5.8 Role descriptions for board members are an important and useful guidance tool for what board members are expected to do and achieve. A person specification is equally important because it identifies the competencies, attributes and broader skills needed to be able to discharge the role duties well – it is the person specification that usually drives the recruitment process in terms of how prospective candidates are evaluated. In a governance context, the person specification is an

important tool for elaborating on the core competencies that might be expected of any board member beyond any technical expertise or experience.

How the board sees its role – findings

5.9   The survey and evidence supplied by Community Housing Cymru (CHC) identified that nearly all housing associations use the CHC Charter for Good Governance as their benchmark and governance guide, and that just over a third use it in conjunction with other guides/standards (e.g. the Welsh government's regulatory standards, the NHF code of governance).

5.10 There is evidence to suggest that the role of the individual board member has perhaps been of cursory consideration in some organisations. Positively, survey responses indicated that role descriptions are in place in 34 of 37 HA survey respondents (in CHC's 2011 Survey, 31 of 33 respondents had these in place), but person specifications are in place in just over half of those associations. The review of documents (see Appendix 9) established great variation across a sample of eight HAs, together with five case study organisations, in the quality and currency of role descriptions, person specifications and codes of conduct. Some role descriptions were very bland and little consideration had been given to the chair's role description and person specification.

The size and composition of the board – the issues

5.11 Other research suggests that smaller and diverse boards perform better.

5.12 Diversity is an important means through which to counter any 'Group think' in boards. Key lessons from a range of English housing problem cases in the past is that complacency – often driven by lack of board renewal – has played a significant part in governance failures (*With the best of intentions*, 2006). There is evidence from other sectors to suggest that homogeneity and poor performance are linked.

5.13 Diversity may be understood in a broad variety of ways, whether diversity in terms of protected characteristics, or of skills and

experiences. It is well established in both the private and public sectors that progress in achieving board diversity, particularly in relation to women on boards (other aspects of diversity have been scrutinised less), is slow. Whatever lens diversity is viewed through, diversity of perspectives is the desired outcome.

5.14 With respect to affording diversity any priority in terms of future strategy, awareness raising and monitoring of performance are generally the first kinds of steps that organisations will take to understand whether there is an issue for them to consider and then how they might best address it.

5.15 A considered view of board composition ought also to entail engagement with how an organisation fulfils its strategy and responds to the operating environment into the future, so that the governance model is supporting where an organisation wishes to get to rather than its past performance and activities. Therefore an effective board ought regularly (i.e. at least every couple of years) to refresh its notional template or matrix for the kind of skills needed on the board for optimal realisation of the organisation's purpose and direction, and to carry out regular audits of how well the board reflects this need. Any gaps can then be addressed through various means, whether board member recruitment, training, co-option or professional advice.

The size and composition of the board – findings

Board size

5.16 From the evidence of our survey, current board size across the sector varies from eight to 16 members (this is broadly very similar to CHC's 2011 findings which reported that board size varied from seven to 15).

5.17 Table 1 demonstrates that larger boards are more common among transfer associations; no transfer organisation has a board with fewer than 11 members. Several chief executives with 15-strong boards said that they would favour and expect smaller boards in the future. (There is more prescription around the LSVT model, which is predicated on a stakeholder membership, comprising a third independent members, a third local authority nominees and a third tenants and/or leaseholders,

typically about 15 members in size.) Some of the executives and non-executives operating this kind of model reported finding the size of the board an obstacle to efficacy, when combined with other factors.

5.18 The smallest boards are found in traditional associations (seven have between eight and 10 members); from the traditional associations' responses, the most favoured size of board was been 11 and 13 members.

Table 1: Current board size by type

Type of association	Number of board members			
	8-10	11-13	14-16	*Total*
Transfer associations	0	6	6	*12*
Traditional HAs	7	11	7	*25*

5.19 The direction of change is towards smaller sized boards. Eighteen of 23 organisations in which board size has changed clarified in their survey responses whether the board had grown, reduced, or changed in constituency composition. Around three-fifths of this sample had reduced the size of the board, often citing the results of a governance review that had suggested a smaller board may be more effective, and five had increased the size of the board (mostly to enhance representation).

Board composition

5.20 The design of LSVT board composition was the source of a lot of criticism from a range of interviewees and focus group attendees. There was considerable frustration either with the behaviour and commitment of local authority nominees (whether uninterested or overtly political) or with the process of their unplanned appointment changing every few years, or with both. Several stakeholders also didn't like the size of the board imposed on them, and felt that the combination of forced appointments and size of board mitigated against building an effective team.

5.21 A common perception of the model's flaws was that it placed pressure on the independent contingent to somehow 'carry' the skills base for the board.

5.22 In just over half of traditional associations at least seven out of 10 board members are independents.

Figure 1: Proportion of independent board members at traditional housing associations
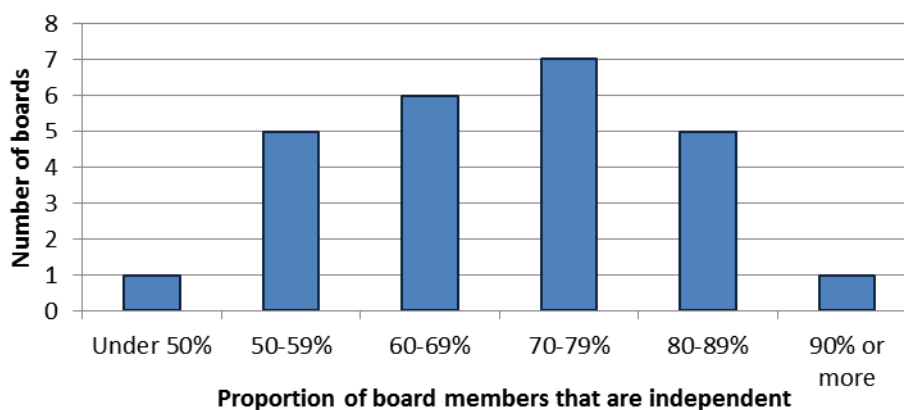
5.23 Three traditional associations have no resident representation on their boards, two of which are group models – so while the subsidiary entities make provision for board members who are residents, the Group board does not.

Board diversity

5.24 The survey results established that skills audits have been carried out in 33 of the 37 associations since 2010, but that only two-thirds of organisations have in place skills matrices for the board, which may suggest that this future proofing/mapping aspect of skills diversity is not fully embedded across the sector.

5.25 There was an acknowledgment in the board member focus groups that boards need to ensure that they remain agile and recruit for future skills requirements. The changing nature of the business (market rent, private equity, commercial development etc.), as well as the impact of welfare reform, bring this sharply into focus.

5.26 The survey findings reflect the broader cross-sector governance challenge to deliver greater board diversity.

5.27 The monitoring of the protected characteristics (as specified in the Equality Act 2010) of board members is in place in under half of the associations surveyed: 13 organisations reported that they did undertake

this monitoring, four reported that they monitored against some characteristics, and twenty reported that they did not.

5.28 Generally, women are under-represented in non-executive roles in the sector, with one-third of the overall appointed board member roles being occupied by women. Figure 2 shows that only three associations have women in the majority while on 14 boards (just under two-fifths of the sector) women account for under one-third of the board members.

Figure 2: Gender make-up of boards

Gender make-up of boards

Total: 37
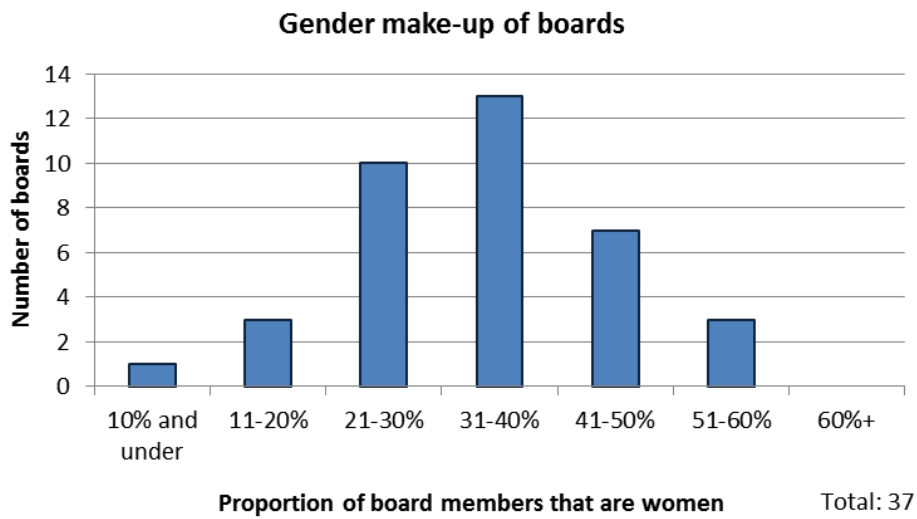
5.29 Perhaps reflecting their youthfulness as organisations (and therefore an attempt from a blank sheet to put principles around diversity into practice), transfer organisations have a better balance of women on their boards by comparison with traditional associations. Table 2 below shows that in four-fifths of transfer associations over 30 per cent of board members are female. This is in contrast to traditional associations, of which only half have boards made up of 30 per cent or more women.

Table 2: Gender balance on boards by type of association

	All housing associations	Type	
		LSVTs	Traditional housing associations
Number of boards with 30%+ women	23	10	13
Proportion of each type of board with 30%+ women	62%	83%	52%
Total number of boards	*37*	*12*	*25*

5.30 The age of board members in housing associations is generally over 45 (as demonstrated in Figure 3) with very few (0.7 per cent) members aged under 30. Four-fifths are over the age of 45 (with just over a third – 34 per cent – aged over 65).

Figure 3: Age of board members
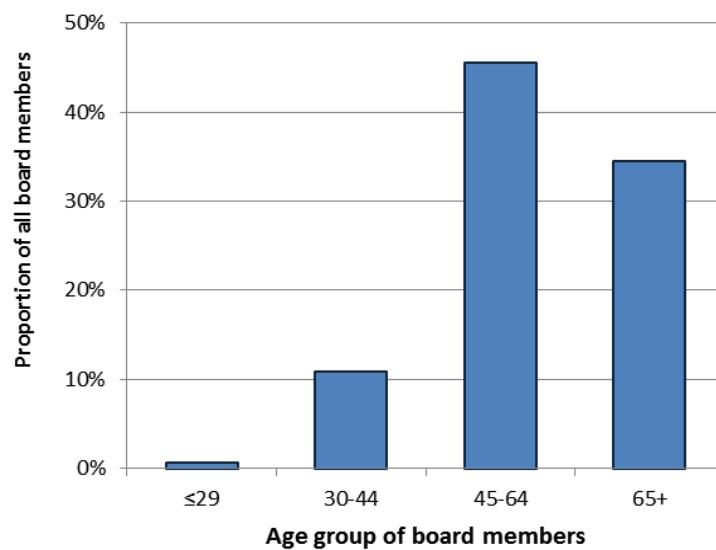
5.31 Ten board members (2 per cent of the total) are from BME groups. (Wales 2011 Census data has identified that the majority of ethnic groups is at 1 per cent or below, excluding Any Other White at 1.8 per cent.)[1]

5.32 A number of interviewees reported difficulties in recruiting younger members of the board, and female board members. It was suggested

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[1] *Ethnicity and National Identity in England and Wales 2011*, Office for National Statistics, 11 December 2012. http://www.ons.gov.uk/ons/dcp171776_290558.pdf.

that the 'word of mouth' recruitment style might work against women being put forward, since existing male board members might be advocating other men from their own networks.

5.33 With regards to the chairs of each association, many of the trends in wider board membership are more pronounced, with nearly half over 65 years of age, just over four-fifths being male and all from 'White British' or 'White Welsh' ethnic groups.

5.34 There may be very good reasons for the average age of chairs being higher, both in relation to their accumulated professional experience but also indications elsewhere in the findings that being chair is a time-consuming, voluntary activity and therefore more likely to suit retired or semi-retired professionals. Four of the 37 associations are chaired by residents, and the remainder by independents.

Committees – the issues

5.35 It can be helpful to take into account the overall governance 'burden' in terms of time board members spend in meetings (particularly in 'steady state' organisations rather than new ones) as a form of scales that needs to be held in balance. If more weight is applied to one area – e.g. more frequent board meetings – then weight needs to be alleviated from another – e.g. fewer sub-committees. If a more elaborate sub-committee structure is established, then there ought correspondingly to be a tighter governance menu at main board level. It doesn't work, and won't make for effective governance, to simply expect more and more activities of board members. There is an optimum overall burden that needs to be continually balanced and re-balanced.

5.36 The trend in the English housing sector over the last decade has been to move away from shadowing business activities in sub-committee structures to a more private sector type model (audit/risk and remuneration sub-committees only). Committee structures should be influenced by the complexity of business activities. (Readers may wish to refer to Appendix 5 on key questions to ask in respect of establishing committee structures.)

5.37 There is no particular research that identifies the ideal length of a board meeting, only that board meetings need to be 'the right length'. Our combined sector experience is that boards concentrate and engage less well after about 2.5 hours in a board meeting (this is an area for discussion that board members can usefully pick up in appraisal interviews to determine their optimum).

Committees – findings

5.38 According to the survey results, the committees most commonly found across the sector are the audit committee, and the remuneration committee (though just under a half of all housing associations have a remuneration committee).

Figure 4: Most common committees in place
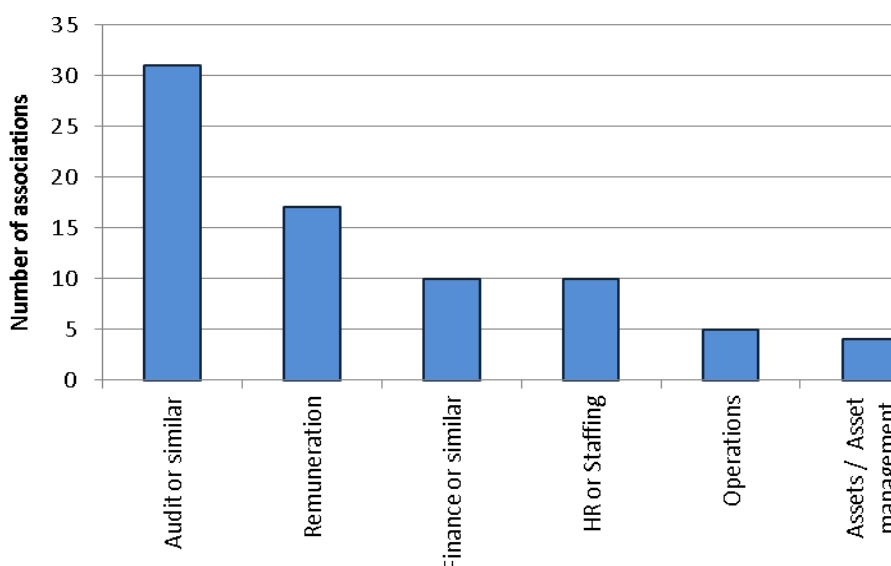
5.39 Twenty-two organisations have committees of other types, covering a range of remits (e.g. governance or customer excellence or care and support).

5.40 While it may be reasonable to assume that larger organisations or organisations engaged in highly diverse business activities might need more sub-committees, there was no distinctive difference in the number of committees between smaller and larger organisations, with some of the smaller organisations (4 with fewer than 4,000 units each) having as many as five sub-committees.

5.41 The survey findings highlight the fact that board meetings tend to be held either monthly (17 of 37 respondents) or every two months (14 of 37). Trends for traditional associations and transfer organisations are broadly similar, though transfer organisations tend to hold their meetings slightly more frequently than traditional associations – three-fifths of transfer organisations hold their meetings monthly compared with two-fifths of traditional associations.

Figure 5: Frequency of board meetings
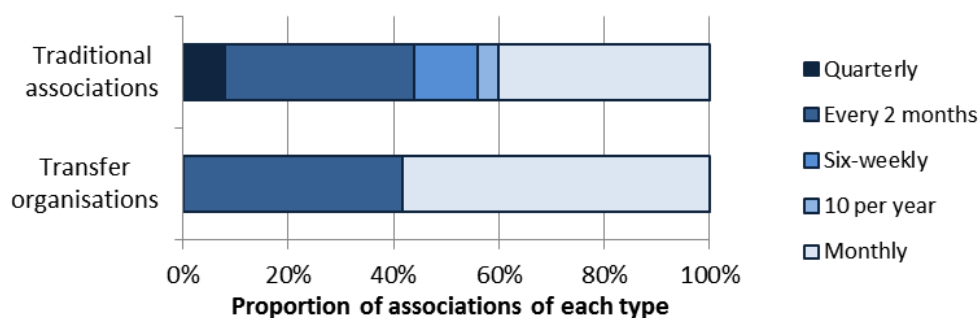
5.42 There are sometimes mitigating factors for highly frequent meetings and a large number of sub-committees: for example, one organisation has established this mode of operation as an alternative to putting in place a complex group structure, while a couple of other organisations are relatively recently established.

5.43 Meetings are 2.5 hours or less in two-thirds of associations overall. Transfer organisations are more likely to have longer meetings than housing associations.

The chair's role – the issues

5.44 It is hard to overstate the importance to board effectiveness of the quality of the chair – or the extent to which that is recognised across all sectors. The chair has a driving role in how the board does its work (agendas and information flow), how members engage, and the development of the board and evolution of governance.

5.45 The chair is also an important influence on the quality and nature of relationships between the board and executive team, in particular in relation to challenge and support. The chair and chief executive

relationship is an important axis of the board's work, but also one in which excessive cosiness can inhibit the quality of challenge to the board and lead the board into a sphere of polite consensus and over-reliance on assurances. This lack of challenge can both compound and be influenced by the tendency for chief executives (as leaders) to believe their own narratives ('the natural optimism of management in thinking').

5.46 It's important that boards consider how leadership is distributed throughout the governance structure, and how partnership working and collaboration is effected between board and executive members other than the chair and CEO (we term these 'bi-laterals').

The chair's role – findings

5.47 The board member focus groups and fieldwork interviews highlighted the critical role of the chair in building the governance culture, since s/he will lead and facilitate the board contributions, is tasked with getting the best from the board, as well as shaping the governance menu.

5.48 Discussions demonstrated a clear understanding of the skills needed to be an effective chair (facilitation, understanding group dynamics, the ability to summarise debate) and the need to balance collective responsibility against their own individual views on any subject matter. This understanding, which has developed over time, has implications now for how chairs are being recruited, with evidence of a more structured approach in the sector to recruiting against the competencies required: 'Increasingly, we're moving from a position where it would have been Buggins's turn. Now we're recruiting people who are capable of taking over as chair.' Certainly in the case study board observations, there was evidence of chairs being adept at drawing board members into dialogue, attempting to tease out contributions, and drawing out wider issues for the board's consideration. Chairs were inclusive, consensual and did not allow their views to dominate.

5.49 Several interviewees spoke about the positive difference that a new chair had sometimes made to governance, in particular in relation to the

appetite to tackle long-standing problems or challenges. In interviews, chairs conveyed how mindful they are of the difficult balance to hold between inclusiveness, professionalism and governance improvement/evolution. Some admitted to not always knowing how to handle some difficult situations (e.g. getting a long standing member to leave) and therefore avoiding resolution of the problem; other interviewees spoke of chairs not wishing to disrupt the board's consensus/balance through tackling such issues.

5.50 While the expectations of chairs are clearer, there was evidence from chairs themselves that they would like more guidance and good practice to draw on in terms of how they execute their roles: there was an appetite to be inspired and learn.

5.51 The amount of time chairs can devote to the role seems to be a common concern. As can be seen from the survey results, not all chairs are involved in the appraisal process, which can be both a time-consuming process and one which several chairs had said that they would like further guidance on.

5.52 The chair was viewed as having a pivotal role in establishing the right kind of open relationship with the executive. The chair could engender confidence in the board and in the senior team. One case study organisation said:

> 'The ideal board–executive relationship is a balance, it's collaborative, providing challenge too, not being antagonistic, not putting barriers in the way, it's all about being on the same page. We do have a supportive view. In the past it was a bit cosy. The chair has helped to create that balance.'

5.53 There was acknowledgement across interviewees (and strongly in the resident focus groups) of the central nature of the chair–chief executive relationship to the governance and organisational culture of the organisation. There was evidence of governance improvement and board engagement as a joint endeavour between both parties, with respect, trust and openness in evidence (for example, one case study

chair and chief executive wanted to be interviewed together and demonstrated a strong willingness to 'think out loud' together and bounce off each other's views).

5.54 Several interviewees (chairs and chief executives) spoke of a constructive tension being a desirable element in the executive-non executive relationship. Respect for each other's respective roles (and not trying to do each other's roles) was important, as was trust, but at a level that still kept each group on its toes.

5.55 There was an appetite among interviewees for boards to be more proactive and not simply reactive to executive proposals. Several people suggested that the partnership model of non-executive and executive governance was not particularly well established. For example, some boards were seen as being somewhat passive respondents to strategies brought to them by their chief executives, with proposals only coming to the board when they were already 'fully cooked'. 'Task and finish' or 'short life' groups, comprising both members of staff and of the board, were seen as a way to counter this for some organisations and a way of building shared priorities and approaches.

5.56 Few interviewees proposed that executives ought to sit on the board, although finance directors (from the finance network) felt that boards might improve their understanding of risk through having them on the board (whether on their own or other associations' boards). This seemed to be a step designed at giving finance directors a stronger voice at board meetings, as it was felt that they are not always sufficiently included in decision-making and strategy, but also sprang out of a desire to see much more of a private sector model of governance ('a partnership and co-governance between non-executive members and executive directors') in operation in the sector at a time of greater risk.

Board recruitment and renewal – the issues

5.57 Board renewal is viewed as a marker of good governance across a range of sectors. Effective board renewal depends on a clear and transparent process of succession planning being in place and on

governance changing through evolution rather than revolution. One way (and the most common in every sector) to attain this planned, evolutionary process of change is to have fixed terms of office for board members. It is important to note that Community Housing Cymru's Charter for Good Governance does not specify maximum terms (and that this appears to have been a contentious subject for debate when the Charter was first consulted upon). The Supporting Guidance asks only that 'new board members are recruited, selected or elected on a systematic basis' and that 'a maximum term of office is set for the chair'.

5.58 How an organisation has been established has a direct influence on the composition of the board and the scope for flexibility of composition. The board composition of transfer organisations is in effect dictated by the model.

5.59 In contrast to other sectors, a barrier peculiar to the housing sector (in Wales, and in England) in considering board renewal is the LSVT model. A constraint on a planned process of change and an element of unpredictability issues from the turnover of local authority nominees (whether because of local elections or because of local authorities choosing to place nominees on other committees or boards) and potentially in relation to the election process for board members who are residents.

Board recruitment and renewal – findings

Recruitment of independent board members

5.60 Almost all traditional and transfer associations reported through the questionnaire survey that they use open recruitment to recruit independent board members. Only four indicated that they did not. Whereas 'word of mouth' means has also been used to recruit independent board members by a majority of traditional housing associations, only a minority of transfer associations have utilised this less formal route.

Figure 6: Recruitment methods of independent board members
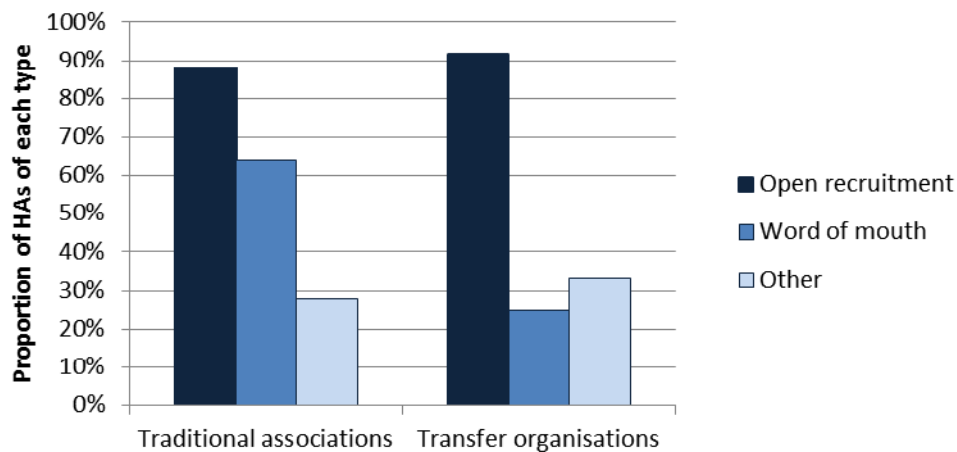
5.61 While the survey identified the processes organisations used to find board members, the qualitative research allowed exploration of the varying efficacy of different processes in practice.

5.62 The factors that influenced success appeared to be a combination of: clear promotion of the role and of the organisation; clarity around the skills being sought, both professional and other competencies; a form of meaningful selection process; and some kind of engagement with the organisation prior to confirmation on either side of acceptance of appointment (e.g. observing a board meeting).

5.63 The qualitative research generally identified a shift towards more rigorous recruitment methods: maintaining an active skills audit and recruiting to fill the gaps; targeted recruitment, external advertising, and a formal interview process. There was a consensus that this movement away from the 'introductions' of the past had strengthened governance.

5.64 Other successful methods of recruitment included headhunting, use of Community Housing Cymru's 'Come on board' scheme (which offers a pool of potential board members to organisations), though a couple had found it less satisfactory for finding the right fit or quality of candidates, and co-opting professionals with key skills to boards or committees.

5.65 A minority of organisations appeared to have given consideration to how the board member role aligns with the organisational culture, what

makes the board member role attractive and interesting and what might make people want to join the board.

5.66 The board member focus groups and interviews identified that a wide set of competencies is needed of board members, and not simply different specialist skills or varied experiences. Intelligence and ability to see the big picture, a rounded outlook, being able to work in a group, 'boardcraft' and being anchored in the values of the organisation and of the sector as a whole were just as important as skills in the selection process. Indeed, avoiding a narrow focus on certain specialist skills in the recruitment process was a learning point for organisations. There was a need for board members to take overall responsibility and not only to speak to their own specialism. Having an effective selection panel in place that was willing to turn down candidates seemed to be another important lesson learned.

5.67 A number of concerns were raised by interviewees and focus group participants about the 'talent pool' and skills base (particularly where business/commercial and specialist skills were being sought). (It is perhaps useful to remember that – according to 2012 statistics from the Office of National Statistics – about a quarter of people in employment in Wales are in public sector employment.) One chair described it as not solely a housing sector issue, but rather a wider one around how social capital is built in Wales.

5.68 For organisations in urban areas, there was perceived to be a ready pool of candidates from which to draw (albeit there might be competition for them – the governance officers reported that they sometimes felt in competition for the same people); where there was rurality coupled with severe economic deprivation (the Valleys was often cited as an example), several (though not all) executives said that there were fewer professionally skilled retirees who might be interested in board membership. There were also reports from executives and non-executives about failing to recruit people with business skills, or trying to identify people in other urban areas (e.g. Bristol), but finding that the

travelling eventually wore people down or led to lower attendance at meetings.

5.69 An interesting idea put forward by a couple of chief executives was for the trade body (supported by the Welsh Government) to take a campaigning role in promoting the value of serving on a housing association board. It was felt that the profile of housing needed to be raised generally through some kind of advertisement campaign that would encourage professionals to join a select talent pool. Some of the individuals in that pool, suggested one chief executive, might only be interested in engaging in short-term assignments to help organisations through a process of change.

Recruitment of resident board members

5.70 Just under two-thirds of housing associations use a ballot mechanism to elect resident board members.

Figure 7: Recruitment methods of resident board members
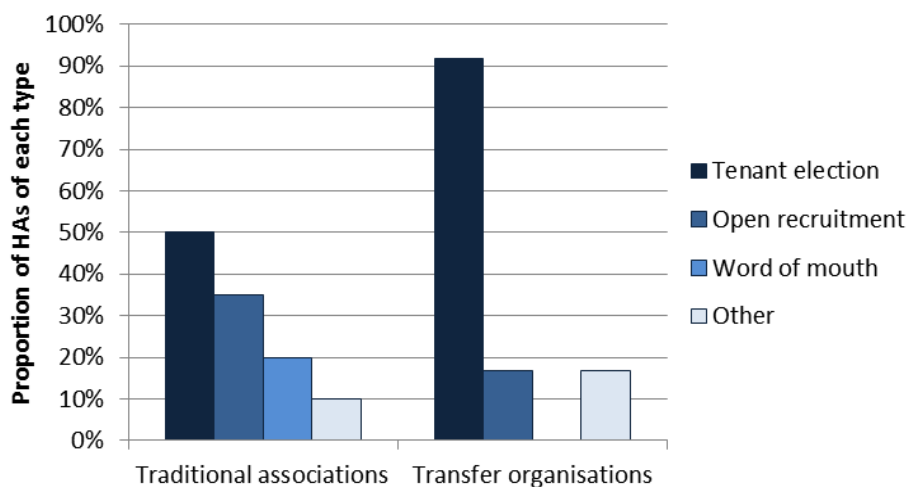
5.71 A couple of interviewees valued this method as a symbol of democratic accountability. Several (executive) interviewees commented on how unhelpfully this led residents to identify themselves as 'representatives' and also risked leaving to chance getting the right mix of skills on the board. There is a tension between skills based appointments and election processes, though some organisations have found ways of trying to mitigate the risk of electing ineffective members through capacity building training. The majority of interviewees were very frank

about the fact that their development of effective board members who are residents had met with mixed success – and for a few of them, in spite of whatever other support (e.g. training, buddying) had been offered. This was firmly not a proposition that residents shouldn't hold board member roles, simply an acknowledgement of organisational failure that had happened in spite of best intentions and because organisations had failed to find and appoint the best suited candidates to the board member role.

5.72 Across the fieldwork, in light of these experiences, it was clear that organisations had learned a lot about how best to prepare residents for what sometimes felt like the 'ordeal' of being a board member. One external stakeholder suggested a more realistic, robust and open approach with tenants:

> 'You get people going on for the wrong reasons. You work up this ladder of participation and the ultimate is board membership – and it's not. There's a real lack of understanding of what a board member is. I would ban the term tenant board member. People often get frustrated on boards as they can't advocate on behalf of tenants. I see parochialism in how they're treated. There needs to be a lot more commitment to people getting skilled up. And there needs to be much less tolerance of board members who are tenants who don't perform rather than tokenism. It's desperately important that it's meaningful. It is about strategic involvement and they need to be supported to do it. It's not about saying tenants can't have those skills. It's about them getting to play a full role.'

5.73 Several interviewees advocated that the expectations of how many residents are on a board needed to be more flexible, e.g. identifying in the skills matrix that among the experiences and knowledge being sought might be that of living in social housing and local community knowledge. This was already in place in a couple of organisations, which explicitly recruit residents against the skills they are seeking rather than looking to fill a certain quota of places with residents, rather than appointing residents irrespective of their skills aptitude.

5.74 Organisations had tried a range of different interventions both to encourage residents to come forward and to prepare. These included: using resident engagement structures as a prospective pool from which to draw potential board members; using housing officers as scouts; 'pre-induction' activity, such as workshops or courses (three-quarters of survey respondents reported having capacity-building training in place); one-to-one sessions about the role; and board observation for prospective candidates (just under two-thirds of surveyed organisations reported offering this).

5.75 On appointment, the importance of a strong induction and buddying or mentoring to build confidence was highlighted in the board member focus groups, as was the role of the chair in ensuring that residents can play a full part in debates.

Board renewal

5.76 The survey findings established that 17 organisations do not have maximum terms for board members. Of the 33 participants in its 2011 survey, CHC similarly found that 17 organisations didn't operate maximum terms for board members, which suggests that this is an area in which there has been little or no change.

5.77 Maximum terms are commonplace in transfer associations (11 of 12 transfer organisations have them) but are much less common as a practice in traditional associations, where they exist in only one-third of them.

Figure 8: Maximum board member terms in place
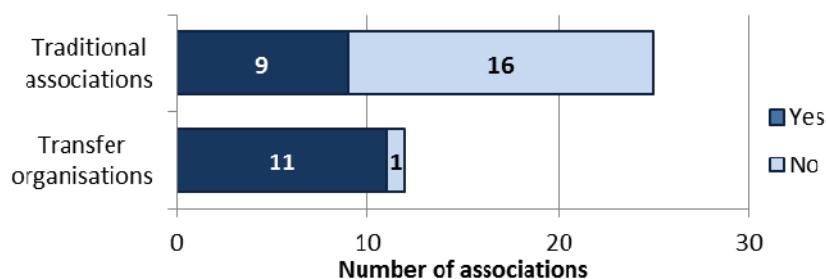
5.78 For chairs, by contrast, maximum terms are almost ubiquitous (as one might expect from CHC's guidance) – in place in all but three of the 37

associations. (Two of those without maximum terms for their chairs are transfer associations.)

5.79 Figure 9 shows that over two-fifths of board members at traditional associations have been in place for six or more years, and over one in ten have been in post for more than 16 years. Looking at all of the board members across the housing sector, 12 per cent have been on the board for eleven years or more. Transfer associations have board members who have served shorter terms because of the recent establishment of the organisations.

Figure 9: Time spent on the board

Proportion of the BMs of each type of association (%)
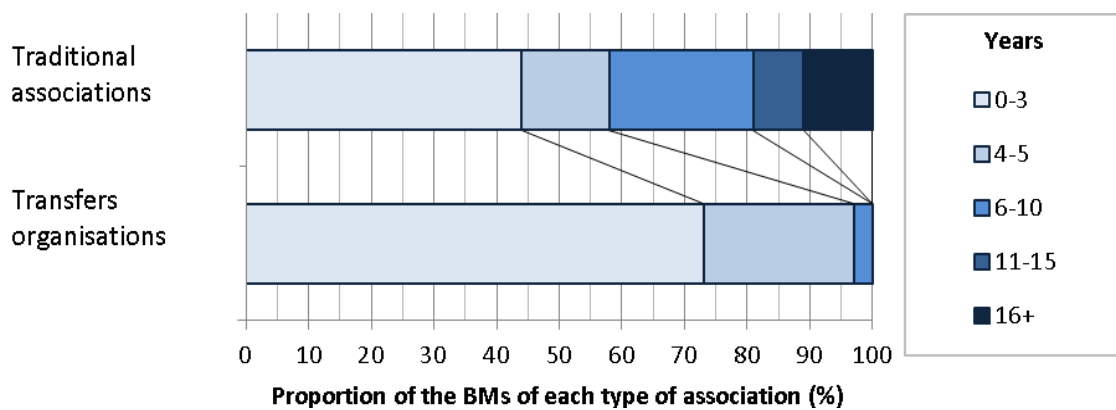
5.80 There were different views expressed from research participants on fixed terms for board members:

- some saw it simply as a matter of common sense to renew the whole board (and sometimes viewed it as a symbol of resistance to change and a marker of weak governance not to do so – there was an anxiety that boards should not be seen as 'clubs for retired people');

- some saw it as acceptable to retain one or two long-standing members so long as renewal was happening elsewhere in the board, and liked the organisational memory that came with long service;

- some felt that it was an area that they had avoided tackling; and

- some were firmly in opposition to limits being imposed in any way. One case study organisation's chief executive said:

'I know there are benefits to having change but if people are still contributing and we've got the skills we need and we haven't got people requesting to come onto the board, does it matter?'

5.81 An anxiety about how to successfully recruit new board members and therefore manage succession planning effectively informed how interviewees felt about losing any significant skills and experience from the board. If organisations were confident that they could recruit new members with the skills that they needed, they would be more willing to let go of some of the longer-standing members. For some interviewees, the prospect of fixed terms of office for board members meant losing their most effective members. As one chief executive put it:

'We've debated fixed terms and thrown it out because we don't want to give up the experience and expertise. We've got people who know the organisation inside out, who have got all the training and knowledge; you bring in someone new and you don't know what you're getting.'

5.82 The 'difficult conversations' involved in encouraging board members to move on (or indeed to step down from their role if they were adjudged not to be making an effective contribution) emerged as another important inhibitor of board renewal, and as mentioned earlier in this report was flagged up by chairs as an area which caused them anxiety and on which they would like further guidance or training.

Reappointment of board members

5.83 For reappointment of independent board members, around two-fifths of associations were reappointing on condition of a satisfactory result to an appraisal and a review of the member's attendance record.

Remuneration

5.84 Interviewees and focus group attendees often raised (unprompted) the issue of whether board member remuneration would help to improve the ability to recruit board members. There was a range of views (some diametrically opposed) across the qualitative research of the desirability of this and the impact it might have on the composition of boards and the values of the organisation. Many said that it was time for a formal consultation or debate on this subject.

5.85 There was some curiosity about how this had functioned in Scotland and England, and much openness of view as to whether this should become an option in Wales. Concerns about the operation of the tax and benefit systems came up several times, and a minority of respondents were very much opposed to the introduction of board payment for this and other reasons of principle. Mostly this concern focused on people's perceived motivations to serve as board members and whether there would still be *selflessness* rather than necessarily being opposed to remuneration. (This concern also suggests that public sector values beyond openness and transparency may inform board and senior staff member thinking without necessarily being explicitly referenced as such.)

5.86 On the other hand, a number of board members said that the demands on them and their time were now well beyond what was reasonable for unpaid volunteers (and that this predisposed the role being more attractive to people who had retired). Those board members and executives in favour of having the choice argued that it would allow them more easily to recruit specialist skills to their boards. (A message from the Finance network discussion was that, while retired people have time available to commit to governance, their skills and knowledge of the sector may lack currency.) Those in favour also argued that it would allow those elements of the governance framework underpinning individual effectiveness – appraisal, and learning and development commitments – to be more robust.

5.87 The balance of opinion among our respondents was thus for a permissive regime, to be introduced cautiously, and in such a way that it could be actively used as a catalyst for positive change.

5.88 Interviewees were keen to learn of any correlation in evidence between governance improvements and the payment of board members.

6 An effective governance culture – the issues and findings

Board culture – the issues

6.1 Good governance is not just about what gets done, but how it gets done and the 'how' ought to involve a strong degree of self-awareness, sometimes some challenging and difficult conversations or questions by the board of itself, a commitment to openness, constructive criticism and feedback, and a general willingness to learn about what could be improved even further. This kind of culture shift requires commitment over a long period of time. It also requires a willingness to engage with external perspectives on the quality of governance of the organisation.

6.2 Compliance with recommended governance structures and processes does not prevent governance failings where the culture and team dynamics of the board lack critical self-awareness. This is not to say that following processes that are commonly viewed (across sectors) to underpin good governance are without value, but that following the letter of the processes alone will not necessarily lead to a high performing board. The cultural dimension to highly effective governance is shaped by: boards viewing this aspect as a priority; both boards and senior teams investing time in talking openly about and understanding how best they exploit each other's strengths to add value to the relationship; and the willingness of a board to seek independent, 'critical friend' feedback on its performance.

6.3 A key influence on the ability to challenge effectively is having the right skills on the board in the first place, a sustained commitment to governance improvement over a period of time, and a willingness to talk openly and actively nurture the sort of boardroom culture in which board members and executives are able to challenge one another's assumptions and beliefs.

Board culture – findings

6.4 The responsiveness of organisations to participate in this research is a positive demonstration of that appetite for improvement, although the

slightly hostile and defensive approach among a small minority suggests that some organisations simply want to be 'left alone' and perhaps have little tolerance for any further research exercises.

6.5 There were examples from several organisations (and supported by an external stakeholder view) that the commitment to improve governance over a sustained period of time had been fundamental to delivering better quality governance.

6.6 Sometimes this impetus for change had arisen as a result of a negative experience – one board had had its confidence shaken around reporting on gas testing for example. Governance reviews had proved useful to several organisations because of the challenge to established orthodoxy from an external perspective, and the impetus to review governance arrangements.

6.7 There was a general consensus across board members that the culture of governance has been improving over recent years and that boards are more able to effectively challenge the managers within their organisations. This may, however, describe the board simply operating in a fiduciary mode (see Section 3.6 of this report): an executive from a case study organisation spoke of a board 'challenging deeply *on what it's given'*, and the response to questions asked by the research team about 'challenge' was often very narrowly focused on boards responding to information. When interviewees were asked about 'wider' forms of challenge, i.e. of major assumptions or directions, there was significantly less certainty. Although the evidence of the case study board observations has limited application across the sector, it does perhaps connect with these other narratives around challenge, with diligent and insightful probing of information presented being observed, but much less evidence of alternative approaches or options either being proposed by board members or offered for their consideration by executive papers. Furthermore, again although the caveats apply of a limited sample and of the design of those particular board meetings, the board observations highlighted that boards were mostly operating in the mode of approving, accepting or receiving information – essentially a very

passive role. Of 50 agenda items, 35 asked that the board accept, approve or receive the paper, but there was less focus on proactive governance – on leading, setting and evaluating.

6.8 A slightly different view was offered by members of staff in relation to the quality of challenge from boards. There were mixed messages. Some had seen their boards evolve and felt they were asking good questions. Others acknowledged that in reality a lot of the challenge provided by their boards was very operational. A few had experienced unconstructive ('just plain rude') criticism in meetings (in spite of training, said one). One of the resident focus groups, in discussing getting the right balance of challenge and support on the board, had witnessed board members not always 'getting the ethos right' (i.e. challenge being too aggressive in its delivery).

6.9 A clear learning point for some organisations had been that the approach to challenge and support was not developed in board meetings themselves, but rather through the other activities in which board members and staff engaged beyond the board meeting. Teamwork was said to be key to establishing an effective governance culture, said board members at the focus groups. Senior staff needed to have a fully inclusive role in debates and this needed to be contextualised within a healthy culture of discussion and debate throughout the organisation.

6.10 Board members in the focus groups generally acknowledged that boards need to get the right balance of challenge and support: 'It's not just about challenge, it's about working with the senior staff. We are not there to trip up the SMT.' This balance relies on boards owning the purpose and the 'golden thread' (the overarching objectives and direction that should cascade through directors and managers to the frontline staff), genuinely understanding the business, and being able to see the bigger picture rather than getting embroiled in the operational detail: 'Are we governing the organisation in a way that reflects the environment we're operating in and our priorities?'

6.11 Staff also needed to build trust in the board to be able to share with them the full picture – warts and all; there could be a reticence from staff to do this and it was imperative for the board to create the right environment to encourage that. One suggestion was that board members sometimes needed more of a role in shaping subject areas, and needed to work more collectively and in close collaboration with senior staff.

6.12 In terms of how to establish a culture of governance that encouraged effective and constructive challenge of senior staff by boards, a range of interviewees highlighted the impact of having an effective chair. The chair could set and control the climate of board meetings, including creating an environment in which people feel invited and empowered to ask questions, and could tackle sensitively the issue of people who aren't fully engaged in the board. They also highlighted investing time in reflecting on what 'effective challenge' means for the organisation. This incorporated a range of activities, from training on effective challenge, to discussing it in appraisals and challenging inappropriate behaviours, to capturing constructive behaviours in the Code of Conduct. (It should be noted, however, that a number of the Codes of Conduct we examined as part of our documents review were rather mechanistic in form, with little real investment in defining behaviour in any way other than compliance.)

6.13 We did observe in one board meeting an excellent level of understanding demonstrated by the board and a good range of questions that drew out different aspects of the board's role – and it may be helpful to set out an extract from the documented observation by way of example:

> *Questions were appropriate – often asked in order to check that due process had been/is being followed or that risks had been considered. Questions such as: 'Will that be subject to our internal audit?' 'What are our liabilities?' 'What are the data protection implications?' 'Are we monitoring the impact of that?'*
>
> *Questions were also asked to bring potential concerns to the surface. For example, the report from the chair of a committee*

noted that a manager had given a presentation to the committee and had 'shared some experiences and challenges she had faced'. 'What sort of challenges?' the board asked and a useful discussion followed on why the challenges had arisen and how they might be overcome.

The board demonstrated an understanding of current issues in both housing (for example, the various implications of the various aspects of changes to welfare benefits) and health (for example, Ministers' focus on ways of releasing hospital capacity). The board also demonstrated an understanding of the wider context, with a member asking in relation to communications arrangements: 'Have we considered how to manage social media?'

Officers' introductions to papers and answers to questions also helped the board's understanding. For example, in reporting on progress against 2012/13 objectives, without being asked, the chief executive paused to give a brief explanation of the background to, and nature of, Recycled Capital Grant. By way of giving context for the report, he also reminded the board of past decisions it had made and why.

Design of the board's work

6.14 There were promising signs that boards have been attending to trying to focus their board meetings on the things that matter. A key outcome of appraising governance was often a re-design of the board's approach to its work and how its time is utilised. A number of respondents had unlocked changes in governance by re-designing their board agendas, through streamlining them (i.e. far fewer items on the agenda, a balanced scorecard rather than reams of performance information and/or treating 'for information' items differently, e.g. circulating them between meetings or posting them to an intranet) or refocusing the board's attention through the positioning of items on the agenda (usually placing strategic and/or decision items first). One case study

organisation had reorganised papers into four key sections: foresight, strategic issues, management issues, and accountability. The agendas that were examined as part of the document review were generally well structured.

6.15 One case study organisation CEO and chair spoke about effective decision-making needing to be built from solid foundations – high quality board papers, having the right people on the board able to ask the right questions, reading the papers properly and forming a view shaped by other frames of reference (their experiences of other sectors for example), and allowing space and time at the board to build conversations. The structuring of papers and the quality of agendas were particularly highlighted as fundamental to this process. Boards needed the right sort of information to make informed decisions.

6.16 A clear learning point for boards was to be vocal about getting information that is designed for their needs (which can mean less information but more attention to presentation of options and analysis). There were some good examples of how this might make a difference, e.g. a new finance director changing the format of financial reporting to a clear and accessible diagrammatic representation of information, which had improved the quality of financial questions from the board.

6.17 A striking feature in relation to the design of the board's work is how many boards are committed to having monthly meetings. For example, four out of five of the case study organisations met monthly, although one of the chief executives said that they had a different focus to each meeting, another had periodic strategy sessions fed into this timetable, and a third was of the view that his board had a lot of change to crunch through. Monthly meetings may suggest that senior staff are engaged in an almost continuous cycle of creating board papers, and may raise questions as to how best board member and senior staff time (which feels at such a premium) is utilised. One stakeholder suggested that the frequency of meetings was aligned with an unwillingness to step away from operational matters (and this was echoed by a couple of chief executive interviewees):

'A lot of time is spent in board meetings and on papers and items for information rather than in other governance tasks, such as generative governance. There are very few genuinely who can actually let go.'

6.18 Board member focus groups demonstrated broad consensus that effective board administration supports effective governance, with – among other things – agendas and papers being sent out on time, and that this was habitual in their organisations. The Company Secretary role is more likely to be executed by the CEO in traditional associations whereas in transfer associations the Director of Finance or Resources is the most common choice. (This is not wholly ideal, since the Company Secretary is ideally a servant of the board and someone to whom the board can speak independently if it has concerns, for example, about the CEO, but this may simply be a pragmatic solution for smaller organisations and may reflect who realistically among the executive has the appropriate level of understanding and experience to discharge the role.)

Table 3: Company Secretary post holders

Position of Comp. Sec.	Transfer associations	Traditional associations	Total
CEO	0	19	19
Director of finance/resources	9	3	12
Deputy chief executive	1	1	2
Other staff members	2	2	1
Total	**12**	**25**	**37**

Beyond the board meeting – the issues

6.19 A wider set of tools for the board may incorporate more intimate knowledge of the business, a better understanding of the views of external stakeholders, and more time spent in strategic or generative governance activities. The cross-sector research identified as a governance challenge boards not shaping strategy or owning or always understanding it well enough to monitor it robustly.

6.20 Whereas in the past, a decade or so ago, it may have been deemed satisfactory for board members to view their interaction with an

organisation as episodic, dipping in and out as board meetings required, now the board member role is much more of a 'nesting' activity. Board members are expected to engage outside board meetings for a variety of reasons – whether to develop understanding of the business and having a clear line of sight into it, reality check their narratives of the organisation through staff or resident engagement, or to promote the organisation at stakeholder events, or be involved in collaborative generation of proposals and strategy at an early stage.

6.21 It should be noted that the key to successful engagement of this kind is an understanding of the distinctions between the role of the non-executive and the executive and between the role of the individual board member and the board as a whole. It also requires – but can help to promote too – an organisational culture in which continuous improvement is the shared aim, challenge is expected and welcomed, and decisions are made on facts and evidence. Pitfalls to avoid when developing engagement beyond the board meeting include: the formation of sub-groups within the board or a two-tier board with some members being 'on the inside track' and others not; matters that should be brought to the board being progressed instead between individual board members and executives or by an inner clique of board members; board members informing themselves about, for example, organisational performance (or the performance of individuals) through informal contact with staff and/or residents, which may not be evidence based.

6.22 As consultants, our experience over the last decade has been that those organisations which invest smartly in the 'beyond board meeting' activities are more likely to have highly effective governance skills in place. This triangulation of narratives away from desktop papers can help in encouraging board members – particularly independent ones, who can feel remote from life on the ground – to challenge and question the information they are given.

Beyond the board meeting – findings

6.23 It is difficult to judge from the available evidence how effectively boards engage in 'being strategic' and in generative governance. The research team had doubts as to how many boards are involved in shaping strategy and wrestling on an ongoing basis with the 'big questions' for their organisations.

6.24 Positively, Away Days are standard across most organisations – only four didn't report having them, and there seemed to be a small improvement from the Community Housing Cymru 2011 survey findings (where 91 per cent of the 33 organisations participated in Away Days). Typically, space is made for reflective thinking at these Away Days though some boards also run strategy sessions before meetings.

6.25 Away Days need to sit, however, within a broader menu of activities and practices, and complement how board meetings and other forms of interaction operate. There are positive signs that a majority of organisations do engage in these other forms of activity: the board members of 30 organisations participate in task and finish or working groups with staff and, occasionally, involved residents (as distinct to board members who are residents). Around three-fifths also had board champions or portfolio holders, suggesting that board members were taking a lead on specific strategic or thematic areas. Certainly at one of the observed board meetings there had clearly been involvement of board champions in items prior to them coming to the board. In terms of positive practice, one case study organisation held a couple of development sessions annually to give the board space and time to engage in generative governance, e.g. asking is the business fit for the future? Is it actually structured in the right way? This was described as part of an ongoing process which entails continually 'asking the right questions on the journey'.

6.26 The same case study organisation had also invested a lot of time and energy in creating what the CEO termed the 'glue'. With the introduction of iPads and interactive technology linking board members in a 'hub',

board members had started to email each other and continue conversations with the executive. As part of that glue, there were regular quarterly meetings between board members occupying positions of responsibility to air concerns and seek support. There were also task and finish groups bringing board and executive staff together. To build an effective governance culture, it was felt by the CEO that this mesh of interconnectedness and spending time together helped to build trust over time. Executive staff became more open and said what they were going to do. There was real and meaningful engagement. It should be noted that investment in building this kind of glue for an organisation is a major commitment (the chair's commitment was said to be at least a day a week).

Board learning

6.27 Board members in the focus groups identified their organisations supporting a varied range of learning activities, including mentoring and preparation for board membership; induction; regular board member training; and annual appraisals. There was some discussion about whether small organisations are in a position to offer this level of support and what the impacts on their governance might be. Partnering with similar organisations was felt to be a potential solution to this issue.

Induction

6.28 All survey respondents reported that their organisations have in place some form of induction programme for new board members. Other popular ways in which new board members are supported included holding meetings to discuss the board papers (with the chair or with senior staff) before the main board meetings (two-thirds of organisations surveyed offered this), while two-fifths have a buddy or mentor programme in place, though this is much less common in transfer associations (fewer than one-fifth of transfer associations have them in place). In the 'Other' category for responses, some organisations reported having in place individual skills development plans (three

organisations), and website/intranet and board handbooks (two organisations).

Training

6.29 A commitment to board member training is well established in the sector – with the majority of survey respondents (35 of 37) affirming that this was part of their governance menu. (This is broadly similar to the Community Housing Cymru 2011 survey findings, in which 97 per cent of the 33 respondents participated in in-house courses specifically commissioned for board members, and 100 per cent of the respondents participated in external courses.) Just over a quarter of survey respondents had coaching, mentoring or buddying type arrangements in place in their organisations.

Figure 10: Support for new board members
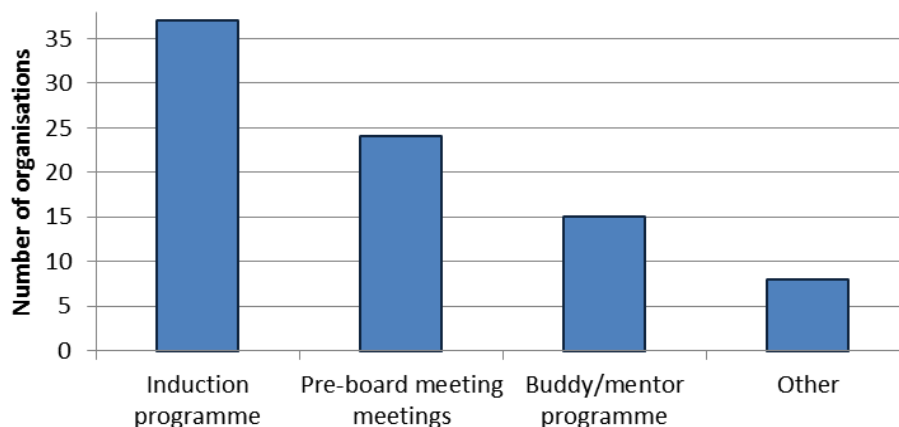
6.30 There were concerns about the take-up of training by all board members and whether training was effective when competencies didn't suit the board member role. A general message emerging from the qualitative research was that it was difficult to get board members who are 'professionals' and have full-time jobs to attend training (and that this is no reflection on their commitment). Resident focus group attendees in particular felt strongly felt that it was important for board members (and not just tenant members) to show a commitment to training, appraisal and connecting with other organisations; they viewed this as the board demonstrating a full commitment to being fit for purpose.

6.31 There were reports of the 'same old faces' at training and events over many years. One case study organisation CEO was keen to know what other organisations had done successfully to build tenant board member confidence, having already given their members a lot of training and yet not necessarily seeing outcomes.

6.32 There was no particular demand for more training (though one interviewee felt strongly that equality and diversity training – in light of the age demographics of non-executives – ought to be compulsory), rather for more flexibility. There was a general plea for Community Housing Cymru to get out to associations more, but also for organisations to work better with the trade body to ensure planned and targeted training that was sometimes locally focused.

6.33 Governance officers and others reported that offering training just before board meetings or people coming to speak to board meetings had worked better than full days of training. One larger sized organisation had found it very galvanising to have its own (high level, 3-hour) in-house training (e.g. on development, or rents, or regulation), which had allowed people to get together outside a formal board meeting. As a consequence, board members were now asking for training on private finance, treasury management and business planning. One case study organisation carried out quarterly board learning and development sessions in the formal board setting.

6.34 The other ways in which board members can learn include forums, networks and conferences. The survey evidenced that Community Housing Cymru (CHC's) networks and conferences attract representatives from a majority of all housing associations. The governance conference is particularly well attended by transfer associations (two-thirds of transfer associations mentioned this event specifically as opposed to two-fifths of housing associations – a slight decrease overall on the CHC 2011 survey findings, in which 94 per cent of the 33 respondents reported having board members attending the CHC annual governance conference). A small number of organisations reported attending Chartered Institute of Housing or National Housing

Federation conferences. There was a strong wish expressed in at least one of the resident focus groups to have board members and senior staff committed to engaging in networking, peer learning and outward facing connections to combat insularity.

Appraisals

6.35 Some form of appraisal mechanism was in place in 35 of the 37 associations surveyed. Of these, approximately four-fifths carry out individual self-assessments (nine associations utilise a 360 degree element). Twenty-six organisations carry out collective whole board assessments. Only two-fifths of all associations conduct appraisals of the chair. The same proportion of respondents had used an external board observation as part of an appraisal process. There was discussion in one resident focus group of board members not always being wholly committed to reviewing their effectiveness (with the allegation that in one organisation only two board members had returned appraisal forms). At the other end of the spectrum of practices, one organisation had a review of the appraisal process mid-year to see how personal development plans were being progressed.

6.36 While board appraisal has been well established in some organisations for some time, it was clear from the qualitative research that appraisal is still taking shape and that some organisations would like help with how best to do it. One chief executive confessed that his organisation hadn't as yet engaged in board appraisal because there was discomfort among board members at the notion of appraising and being appraised. A couple of our case study organisations didn't have what we would consider an embedded process for appraisal or were still feeling their way with how they wanted the process to work: one of the organisations for example was checking attendance, skills and conducting a form of assessment – the chair was not conducting any one-to-ones with board members. There had been board resistance to appraisal said an executive from the same organisation: 'There was a discussion whereby they said "I'm a voluntary member, why are you appraising me and you are telling me I'm not up to the job".' A couple of interviewees were keen

to have more prescription around appraisal or at least better guidance on what it should comprise. A couple of chief executives were keen to see 'support with board appraisal and teasing out difficult conversations'. Trying to do this internally themselves had been less successful than anticipated.

6.37 Appraisal was identified by several interviewees as a key 'marker' of good governance and, together with identification of skills gaps and training needs, was seen by some interviewees as having helped to evolve the governance culture.

6.38 The fact that there is still 'work in progress' across the sector in this area may raise questions as to how effectively appraisal of senior staff works within all organisations, particularly appraisal of the chief executive (the experience of the England housing sector is that boards often do not have an established methodology for doing this well and fairly).

Table 4: Leader of appraisal process

Leader of appraisal process	Number of associations
CEO only	1
Chair only	14
Chair and CEO	3
Chair and other senior members of staff	5
External consultant	1
Chair and external consultant	2
Chair, CEO and external consultant	2
Senior staff member only	4
Task and finish Group	1
Various	1
Not specified	1
No appraisal mechanism in place	2
	37

6.39 Chairs generally lead appraisals, sometimes working together with somebody else (in nearly half of the scenarios where the chair is involved). Less positively, five organisations have members of staff leading the appraisal process. A couple of organisations have delegated responsibility to an external consultancy, or a task and finish group.

Putting the citizen first

6.40 Across the resident focus groups, there were different perceptions of how successfully organisations were able to demonstrate that they 'put the citizen first'. Effective communication and a commitment to listening and engaging with resident views and giving feedback to them, seemed to be at the heart of residents feeling that they mattered. Most fundamentally, tenants wanted their 'voice' to be heard by the board – this was a view expressed by the Tenant Advisory Panel. For this to happen effectively meant: supporting the development and training of tenants; a 'talking and listening approach at all levels' of an organisation that allowed tenant influence on the organisation's activities and approaches; and a willingness to embrace a range of methods of engaging with tenants, whether traditional ones or online and social media. 'Putting the citizen first' was in effect a measure for residents of the influence of resident engagement.

6.41 There were personal experiences of organisations having tenant involvement more firmly on the agenda, though some argued that 'old style' organisations or a previous local authority culture meant entrenched ways of doing things and still a cultural shift needed away from viewing tenants as recipients.

6.42 It was felt that boards had a role in demonstrating that they put tenants first by liaising with the relevant involved panels and developing good relationships with them, which included the board feeding back to them (and not simply one-way communications). One group of residents spoke enthusiastically of board members' curiosity in attending their meetings, in particular the chair, who seemed to ask lots of questions, was keen to understand the tenant perspective on matters and how best the organisation might improve.

6.43 The survey findings demonstrate that the connection between boards and resident engagement structures may be an area for further development in the sector if resident aspirations are to be realised. It appears that just over half of respondents demonstrate a form of

connection between the board and involved residents that is formal and likely to lead to feedback or influence rather than simply receipt of information or informal talking. In six organisations tenant forum or panel representatives report directly to the board. The fact that six associations did not respond to this question infers that their boards may have no direct link with tenants.

Table 5: Means of connection with residents

	All associations
Board members link/liaise with residents at resident meetings/conferences	14
Tenant forum or scrutiny panel reports to board	6
Chair/CE attends panel meetings or meets resident panel chairs	4
Tenant panel members attend board awaydays or training	2
Tenant forum or scrutiny panel reports to committee	1
One-off 'planning events' used to get tenant perspective of strategic issues	1
Tenant board members link to other resident structures	1
Minutes of tenants panels presented to board	1
Board members sit on subject-specific panels involving staff, residents and board members	1
Out of	*37*

Note: six associations gave no answer to this question

The role of service users in governance

6.44 There was support across all of the resident focus groups for residents to hold board positions, and this was viewed as a big achievement for residents. (There was a nuanced proposal in one group that the focus should be less on tenants being on the board because they are tenants and instead being there because of what they could offer – connecting with other organisational views on not being tokenistic about residents on boards.)

6.45 There were differing views on whether residents should be elected or selected, with a marginal majority in favour of selection because it meant some kind of safeguard around the skills of those on the board (those in favour of election liked the openness of the process).

6.46 Residents were very mindful of the transition involved in moving from a role in the engagement structure of the organisation to sitting on the board and taking up a strategic role.

6.47 Meaningful accountability through engagement of service users in governance is clearly still a work in progress in the Welsh housing sector: there were some examples identified of highly effective involvement at board level and many more acknowledgements of struggles to make the structure work. There was also evidence to suggest that the rise of other models – from membership committees to scrutiny panels – appears to be offering more effective forms of challenge from residents. Where there was considerable investment in building tenant voice in tenant involvement structures – for example the membership committee of a community mutual, or a scrutiny panel or a tenants' panel – there were reports of highly effective challenge practised by tenants. Certainly we observed a board meeting at which board consideration of key decisions (e.g. tenant profiling, support to tenants, welfare reform) was informed by the consolidated views of and questions from the tenants' body.

Living public sector values – the issues

6.48 Many codes and governance standards expect of boards that they demonstrate openness and transparency in how they conduct their business. The Community Housing Cymru Supporting Guidance highlights the responsibility of the sector to maintain its strong reputation in relation to conduct and probity, in particular through having publicly available Codes of Conduct as well as having policies in place for various aspects of business ethics. Boards are expected to demonstrate openness through having information generally made available where there are no issues of confidentiality, publishing information about performance and reviewing regularly the openness of the organisation's arrangements.

Living public sector values – findings

6.49 Public sector values in relation to governance were commonly translated narrowly by interviewees and focus group attendees into how open and transparent boards were in how they worked. The facility for involved residents to observe boards (which wasn't an opportunity available to all attendees) was explicitly connected in resident focus group attendees' minds with boards demonstrating openness and transparency; having board minutes available on the web (as a few of them did) communicated transparency.

6.50 Whenever residents (whether the Tenant Advisory Panel or the resident focus groups) were asked about their views on governance and on how organisations embody public sector values, they were consistent in their desire to see boards committed to facing outwards and seeking connection with their concerns and views. In practice this embraced a wide range of activities, from attendance at tenant meetings to appearing at community events to formal reciprocal sharing of information and strategic dialogue. There was a perception among two of the three resident focus groups that the majority of board members don't engage or interact with tenants at all. It was proposed by one group that perhaps all board members ought to be expected to observe at least one involved resident meeting/event a year.

6.51 The need for boards to listen to 'the tenant voice' was well understood and valued by board members at the board member focus groups, though the focus was perhaps more on managing relationships rather than on how residents might influence the board.

7   Meeting future challenges – issues and findings

Future challenges – the issues

7.1   In order to ascertain whether governance arrangements are fit for future challenges, it is important to identify what some of those future challenges might be and how the operating environment is changing for housing associations.

7.2   Various announcements, plans and outputs from the Minister for Housing and Regeneration, the regulator, and the trade body have identified key issues as:

- increasing housing supply against a background of reduced grant and through new delivery models and practice (e.g. intermediate rent, market rent, working with the private rented sector)

- identifying opportunities for accessing private finance through a Welsh Bond and other special purpose vehicles

- assisting the Welsh Government with integrated regeneration throughout Wales

- encouraging housing associations to develop social enterprises

- mitigating the impact of welfare reform

- tackling homelessness and its causes

  and (from the published HARAs)

- achieving value for money in delivery and procurement

- tailoring services to the resident or service user profile

- ensuring that services and activities reflect the diversity of the communities served, and

- ensuring that boards are focused on outcomes for residents and service users.

7.3   It is reasonable to surmise that the immediate future is likely to present different challenges to those faced by the sector over the last decade

because of a changed funding environment and the prospect of increased hardship to residents, service users and communities. It is also fair to assume that the strategic risks to housing associations are likely to be greater. The kinds of risks and opportunities faced by organisations are likely to be common across the sector (albeit that some will issue from the kinds of business activities a housing association is engaged in), and a degree of shared understanding and responses in how to tackle them would probably facilitate the agility of organisations to change and improve, particularly smaller ones with fewer resources and specialisms at their disposal.

7.4 Ensuring that governance arrangements are fit for the future also involves some consideration of how satisfactorily governance arrangements operate currently. While the operating environment is changing, how a board understands and approaches its role should always involve some kind of dynamic responsiveness to and anticipation of external factors. How well a board does this will be informed by many of the core traits of effective boards, as identified across sectors, and discussed in more detail throughout this report.

Future challenges – findings

7.5 The sector's view of its own fitness for purpose for the future, as expressed through the qualitative research, was mostly one of an uneasy concern for the sector to 'up its game' and yet uncertainty as to how that step-change might be enacted. The underlying message appeared to be 'we're not fit for the future just yet' and 'we need to learn or recruit new skills'. Another important view was the desire to have more flexibility to engineer change at board level. There was anxiety about managing the transition to a very changed business environment.

7.6 The general view from stakeholders was that hitherto housing associations had benefited from a benign operating environment in which risks were few and manageable. Some housing associations were simple businesses and could be adequately managed in silos. Predictably perhaps, there was widespread comment from stakeholders that welfare reform and the introduction of direct payment of benefits to

tenants would present all housing associations with a different order of risk (and certainly this was borne out in the observed board meetings, where several boards demonstrated an alertness to monitoring performance here closely).

7.7　A number of chief executives outlined that there is an unpalatable message that the sector will not wish to hear, but that is nevertheless true, that a step change is needed away from the old voluntary sector ethos to more professionalised and business-like boards. This was echoed in other elements of the qualitative research. Finance directors wished to see a greater emphasis on commercial expertise and a better understanding of treasury management at board level. As one case study chief executive highlighted in relation to new markets:

> "The funding environment is changing – you need people with experience of markets, joint ventures and partnerships, index-linked funds. It would be useful to have someone with experience of those kinds of structures."

7.8　There were fears about this change, in particular that people will be deterred by the board member role becoming too onerous and consequently walk away from board roles. There was a fear that the sector would lose its ethos and values. There was a suggestion that the management of reputation would become more difficult, with organisations potentially pilloried for evicting tenants (residents raised this last issue too in their focus groups – and were also keen to see boards getting out and about into communities a little bit more to understand the economic challenges at first-hand).

7.9　The board member focus groups and some stakeholders suggested that sector rationalisation would be an inevitable response to the more challenging operating environment and questioned whether boards would feel equipped strategically to manage merger type options and choices, together with the wider process of change. It was said that some partnerships are starting to open up, but it was felt that the history and nature of the sector will make this a slow process.

7.10 A few respondents were of the opinion that no real action was needed, and that good governance was the business of each association and board. At the other extreme, we spoke to some who saw the state of governance as needing a purposeful response to take it to the next stage. A majority of interviewees generally seemed to feel that there was no strong source of thought leadership in the sector. Everyone had a role to play in reinvigorating governance in the manner that might be needed for tough times – Community Housing Cymru, regulation, Chartered Institute of Housing, and executives and non-executives through their willingness to ready themselves for change. One chief executive asked:

> "How do we generate a debate about where the sector is going and what that means for us as organisations and boards? Something different is going to happen."

7.11 There was a consensus that the level of debate around national events can lack intellectual rigour and has a tendency towards the parochial, One chair told us: "I went to the governance conference and it was about regulation, about what was an outcome, it was all bean-counting things. The following Monday and Tuesday I went up to the Leadership Conference in London and we had the Political Editor of the *Sunday Times* setting the scene on the economy and it was astonishing. It was just a different level of debate. And I found that much much more helpful."

7.12 Each organisation had its own view of governance, but less external perspective on how its peers and competitors were approaching the same issues. We heard that there were some useful networks, for instance bringing together transfer associations, but that many were tackling governance issues in relative isolation (it was striking how many chairs said they would welcome swapping notes on approaches to appraisal, for example). In part, this was because some feared how their struggles or challenges, if shared, might be received by other stakeholders and disseminated across a small sector.

7.13 But more generally, there was considerable enthusiasm for a greater degree of sharing, mutual learning and exchange, and some pride in the collaborative nature of the housing sector. The lack of effective mechanisms and frameworks to achieve sharing was identified as an issue. There was an appetite for engagement in strategic discussions and inspiration about where the sector is heading and what that means for associations. Ideas to help strengthen sector governance included more networking to broaden horizons and understand what is going on in other organisations (and in the English sector); improving the level of strategic information available to boards (Community Housing Cymru briefings were felt to be too operational); and using tools such as relevant Twitter feeds to stay in touch with the bigger picture.

Managing risk and resources

7.14 So far as the fieldwork could evidence, procedurally the kinds of arrangements that are necessary for effective risk management appear to be well embedded in the sector – regular review of risk registers, close monitoring by audit committees and service teams, active reviews of risk. Risk was felt to be managed effectively, but it was acknowledged that the risks to date had been fairly straightforward to manage.

7.15 Board members appeared conscious of a cultural leap needed in their understanding of risk and this was an area in which they welcomed more thinking and learning. It was said that boards would need to be able to respond to the dynamic and interconnected nature of risk (e.g. around income, loans, treasury arrangements) and would need to understand strategic risks better and the role of the board and of the audit committee in relation to those risks. Simple silos were becoming interlocking puzzles, and it was the board role to see the 'bigger picture'. The establishment of subsidiaries also required boards to understand how the work of one might impact on another and the Group as a whole, and to understand the risks therein (of course some had already had this experience). It was no longer about 'parking' risk on the risk map and believing that it had been dealt with, said one board member. One chief executive suggested that the increasing complexity of finances and

structures (e.g. joint ventures) would mean that the boards would need to think more carefully about how they get professional advice. Finance officers were keen for boards to have regular updates on the 'top ten risks' facing their organisations, but also to have the *risk analysis* conveyed to boards to support informed decision-making.

7.16 One of the case study organisations was already responding to this changing environment with regular reporting on gearing levels to the board and monthly monitoring of seven key elements of financial performance, as well as quarterly cashflow projections. The growing importance of the role of the audit committee was emphasised by a number of interviewees (and one case study organisation had brought in new members to improve theirs). A focus group highlighted the need for boards to be able to effectively challenge the executives, in the light of increased risk.

7.17 It is difficult to gauge but from the limited evidence available we were not convinced that boards had invested much time in looking forwards, on modelling business plan outcomes against various assumptions, or on scenario planning. Several associations identified the need for improved information to boards to undertake effective horizon-scanning on the bigger economic picture and this seemed to be a problem of organisational intelligence in some cases rather than a governance failing as such. One chair said: "I think these welfare benefit changes are here for a generation and we have to take a longer term view. And those are the things that I think we are a bit lacking – that sort of assistance, looking at the wider economy. And I don't know that you can get board members to assist us with that. We need external information."

7.18 There was a shared concern among many stakeholders that financial acumen among board members was scanty or heavily concentrated in one person, and sometimes an area in which it was difficult to recruit appropriate board members. It was suggested that all board members would need to strengthen their financial literacy.

7.19 The desire was expressed by some interviewees for the profile of housing to be raised across Wales and to have some kind of new promotional campaign for recruiting to a skills pool, in part as a response to future challenges.

7.20 There is a temptation to view simply adding more skills to boards as the answer to future-proofing for all future challenges, when in fact what we know from all of the cross-sector governance research is that governance culture is the key element driving how the board adds value.

7.21 Some future challenges identified in the qualitative research were in effect ongoing current challenges, such as ensuring that the right skills are available in the sector, ensuring that the board gets tailored information, papers give clear ranges of options, the board has the right items on its agenda, understands risk, and makes good decisions.

7.22 There are clearly some well-governed associations, and others which have further to go. The highly well-governed associations are equal to any that we might see elsewhere, though it is important to note that some of these have the capacity and resources to invest in improvement; it is somewhat more of an uphill battle where staffing resources are small and less specialised. There is considerable potential for organisations to learn from each other, if there is slightly less of a defensive mentality to sharing information and acknowledgement of the aspects of governance that are still not 'sorted'.

7.23 There was no great clamour for more training as such, rather an appetite for other forms of learning and development, and a hunger to be inspired. There was reluctance for training to always mean travelling; training and learning for board members came up frequently in discussion – training was not seen as a panacea for all ills, and many acknowledged its limitations, especially in the more traditional formats. E-learning and networking were seen as having some promise, especially given the apparent reluctance of some board members to travel to distant locations for training sessions (as evidenced by a series of cancelled Community Housing Cymru sessions).

7.24 Others favoured particular changes to the codes, standards and regulatory or constitutional frameworks, for instance to encourage or require the introduction of term limits, or facilitate the process of allowing evolution from the LSVT standard 5/5/5 model. The political difficulties and consequences of such measures were well appreciated. There was a feeling that the HARA framework had not yet contributed to the emergence of better governance.

7.25 If one theme came through most strongly, with the strongest consensus, it was the need for there to be better sharing and learning between associations, whether in the flesh or more virtually. This was widely seen as an opportunity for the Community Housing Cymru to promote and to create new enabling mechanisms meeting the needs of its members. Undertaking this role would in turn equip Community Housing Cymru to establish a more definitive thought leadership role for itself in terms of governance.

Resident profiling, insight and outcomes

7.26 While this was not explicitly identified by interviewees as a future challenge, it is clear from the evidence of the HARAs that this is an area in which housing associations are expected to improve their performance.

8   Conclusions and recommendations

8.1   This report has examined the current state of governance in the housing associations of Wales and the issues identified by people who spoke to us. This section reflects on what has been learned and sets out some recommendations as to the way forward.

8.2   Now in 2013, the governance journey for housing associations may need a new boost to maintain its positive direction of travel. There are examples of good practice (indeed beacons of excellence), and boards that work well together with their senior teams in good partnership. There is also evidence of considerable progress on governance arrangements in the sector over the last few years.

8.3   Nevertheless, we found a readiness to discuss where things could be better, and there was probably more agreement on this area than on the best next steps. At the same time, there was a recognition that some board members may feel puzzled and even offended if they inferred criticism of their work and performance, and may be left wondering exactly what it is that they should be doing better. There was questioning of why this work was commissioned now, following so soon after the recently published report on the future of housing regulation. A very small minority seemed to wish to view the research team as some form of external assessors or inspectors rather than experienced collaborators. This may simply be through association with the new Regulatory Framework, which has impacted on the work of associations and their boards, but has not yet achieved wide acceptance and trust across all organisations.

8.4   Many board members and their senior teams have a sense that things could be better, and would like to see clear maps for the next stages of the journey. A desire for dissemination of positive practice and for stronger cross sector learning and improvement also emerged from the interim evaluation of the Regulatory Framework. Our own view is that the performance (rather than solely procedural) accountability of boards requires greater attention and support – fostering an effective governance culture is fundamental to boards leading and directing, and

we have been unable to establish with confidence how well housing association boards understand this (certainly some do).

8.5 Of course, there is no crisis. No Welsh association for several years has needed a rescue, in contrast to some of their brethren in both Scotland and England. On one level, governance is working well, and the framework for good governance is well understood. But the business environment is about to get considerably tougher. At a time of growing tenant poverty, increased risks and reducing public funds, good governance must be at a premium. We see a need for direction of travel to be maintained and even accelerated, so that governance can become more properly and consistently strategic, more challenging and better informed, as a response to these changes. There needs to be a transition from procedural accountability to a stronger awareness of performance accountability. A lingering question is whether the pace of change in the operating environment will outstrip the pace of change in some governance arrangements. While some housing associations have procedures and approaches which hold up well in comparison with what 'good' may look like anywhere, if the sector is to keep pace with a fast changing environment further work is needed on diversity of skills and competencies, governance culture, how boards drive change and plan for future outcomes, and the sophistication of financial and risk analysis.

Recommendations

8.6 After discussion with the Steering Group, it was agreed not to assign recommendations to particular bodies but to highlight policy issues where they arise. We fully anticipate that action plans with designated ownership may emerge for particular bodies after due consideration and discussion of the report, and that the Regulatory board for Wales will drive this process, drawing on the expertise of its newly formed panels: the Learning and Development Advisory Group, the Regulatory Advisory Group and the Finance Advisory Group.

8.7   We would recommend the following next steps for the sector:

The role and functioning of the board

(a)   Housing associations to establish clearly and promote the role of the board and of individual board members through reviewing and updating (where necessary) core governance documents.

(b)   Housing associations to report publicly on which standards of governance they have chosen to observe and how they satisfy themselves that these are met.

Some recommendations in respect of policy are:

(c)   Introduction of a Code of Governance, based on a 'comply or explain' approach (i.e. the housing association either meets with the standards identified in the Code or if for reasons of business need or diversity there is a sensible need for it not to do so, it publicly explains any areas of non-compliance). This might help to accelerate the completion of other recommendations put forward.

(d)   Encouragement for organisations to elect and select board members on the basis of competencies. (This policy consideration also informs the following recommendation.)

Board size and composition

(e)   Consideration of how the Large Scale Voluntary Transfer (LSVT) model can be moderated beyond the first few years of delivery. Without the freedom to evolve and modernise their governance model after their initial period of delivering transfer promises, LSVTs may continue to feel that they are compromising on the standards of governance they would like to achieve. From a governance perspective, there is an argument to say that the early years of LSVT organisations are heavily focused on pre-determined objectives and the board's role is mostly to monitor and provide assurance to other stakeholders (though it must lead cultural change too). Once promises are delivered, however, the mode of governance shifts by necessity into something more strategic, and the model ought to reflect that shift. There are other ways (and some might argue that these are more effective) in which accountability

can be reported and demonstrated to stakeholders, other than enshrining it in the board structure itself.

(f)   Housing associations to ensure that there is a skills matrix in place for the board, and that role descriptions and person specifications are suitably tailored for future recruitment exercises. (We set out a basic skills matrix at Appendix 6 by way of example.)

(g)   Housing associations to monitor the diversity of their boards and seek to redress any imbalances, for example the under-representation of women on boards, or any other protected characteristics that require attention.

The chair

(h)   Chairs to undergo an annual appraisal, which should include feedback from board members and executive staff.

(i)   While ensuring that appraisal is a supportive and developmental process, chairs to address any areas in relation to individual effectiveness both through the appraisal process and through ongoing feedback to board members.

(j)   Sector-wide consideration of how existing engagement structures can be refreshed, so that chairs can engage and input ideas about the kinds of issues and points of learning they would like to be debating. There is a strong appetite among chairs to be inspired by other sources of learning, and guided and developed as leaders. Chairs need to play their part by helping to shape these strategic networks.

Board recruitment and renewal

(k)   High-level investment in a campaign to create a not-for-profit talent pool of non-executives across the voluntary sector, with a particular focus on diversification (professional experience, gender, age etc.). This policy intervention might help housing association boards seeking to address diversity and skills gaps, as noted above.

(l)   Associations to ensure that board membership is subject to fixed terms of office. To ensure a managed evolution rather than revolution, we

recognise that this might need to be a phased change that takes several years (but no more than three) to complete.

(m) Associations to have in place a succession plan that brings managed and cyclical board renewal.

Remuneration

(n) Conduct of a consultation on the remuneration of board members (a policy recommendation). The board member role has become more complex and the sector ought to have the flexibility to use payment as a tool for swifter progress towards diversifying board composition and recruiting to skills gaps. Having the option to remunerate ought not to signal an automatic right to do so: size and complexity of organisation should be considered and for many associations the key question may simply be whether or not it is necessary to remunerate the role of chair. We would expect that any association proposing to pay would need to prepare a business case setting out why.

Board culture

(o) Opportunities are sought across housing associations to connect board members and disseminate good practice and learning. This is both a matter of policy (how this kind of inter-association collaboration is supported/facilitated) and a matter on which individual boards should take a lead. The focus groups held as part of the research have demonstrated that associations are very willing to engage in wider debates that stimulate their thinking on return to their own associations.

(p) Board and executive examination of the balance of the governance menu, and clarity on how the board is adding value. We believe the sector would benefit from much greater discussion as to how board members and senior staff work effectively together. This needs to align with rigorous design of the board's work, both in and outside meetings, including a commitment to board Away Days and time being assigned to strategic reflection.

(q)   Associations should ensure meaningful board involvement in the generation of the Business Plan and close monitoring of any strategic risks in relation to this.

(r)   Boards to seek periodically external verification or triangulation of their views of their own performance, whether through more of an enabling dialogue with regulation managers or through 360 input from executive staff or through meaningful links with the senior resident body in the organisation or from external review by consultancies. A heightened degree of self-awareness and a willingness to receive feedback and learn from it are, in our experience, foundation blocks for high performing boards.

Putting the citizen first

(s)   (Together with involved residents) board and executive exploration of how accountability is best delivered to residents and whether resident scrutiny offers a model that provides effective challenge and engagement. While the sector is very protective of its values, at a time when public bodies are being shown to fail and threaten public confidence, how boards demonstrate their values and accountability to a range of stakeholders may benefit from further exploration. Principles of openness and transparency need to have meaning, and the welcome nascent development of resident scrutiny bodies may help to give this some teeth. Involvement of residents in governance need not always directly translate into board membership if residents feel they have a stronger voice and influence on decision-making from within their own strategic structure. This resonates with some of the findings of the interim evaluation of the Regulatory Framework, which identified associations needing to engage with service users at a more strategic level, and it may be that some of the actions arising from these two reports are shared priorities.

Living public sector values

(t)   Boards and executives to have a clear strategy in relation to how public sector values are practised through behaviours and processes, in

particular a commitment to governance 'facing outwards', e.g. available information on every board (membership and how it works) on association websites, and each board member committing to attending at least one resident meeting or event per year.

Meeting future challenges

(u)   Of sector-wide consideration is the hosting/funding of a major conference on governance, social purpose and commercialism in social housing, with speakers from across the UK in attendance.

(v)   At a policy level, there needs to be clarity on which body provides thought leadership in governance – that is, ideas and guidance on the big questions and challenges that board should be engaged in and the options and initiatives about how they address them. The sector would benefit from building and owning its own inclusive and diverse vision of good governance, and working purposefully to implement it. In support of the agreed vision, a range of supporting initiatives around recruitment, networking and mutual support, training, and governance documentation are all needed. How the vision is delivered in practical terms would benefit from a coordinated approach and some investment. Associations have indicated that they would welcome support in terms of improving their appraisal mechanisms, their approach to skill-based recruitment and selection, and the support they provide to board members.

(w)   As part of this leadership, there ought to be guidance and/or workshops on how boards (and/or audit committees) sharpen their ownership of high level risks and determine their risk appetite.

(x)   A commitment by housing associations to improving the financial literacy of the board (the Business Plan process above can assist in this).

(y)   Given some of the other future challenges identified – for example in relation to welfare reform – it will be important for boards to ensure that the organisational approach to issues such as resident profiling and insight is responding to how the operating environment is changing (e.g. understanding household income and affordability) rather than

simply to the past environment that obtained (where profiling might generally have focused on factors such as protected characteristics). This may be an area that would benefit from cross-sector research.

Appendix 1: Acknowledgements

All of the following organisations and bodies/networks have contributed to our qualitative research, whether through telephone interviews, face-to-face interviews, case study work, or attendance at focus group or network sessions. We would like to register our warm thanks and gratitude for their participation, and for sharing their views so frankly with us. We would also like to thank all of the 37 organisations that responded to our survey exercise.

Housing associations and community mutuals

- Bron Afon
- Cadarn
- Cantref
- Charter Housing
- Coastal Housing
- Cynon Taf HG
- Family HA
- First Choice
- Hafod HA
- Hendre
- Linc-Cymru
- Melin
- Merthyr Tydfil
- Mid-Wales
- Monmouthshire
- Newport City Homes
- Newydd
- North Wales Housing Association
- NPT Homes
- Pembrokeshire
- Pennaf
- RCT Homes
- Rhondda Housing Association
- Seren Housing Group

- Taff Housing Association
- Tai Ceredigion
- Tai Clwyd
- Valleys to Coast
- Wales and West

Other stakeholders

- Nick Bennett, Chief Executive, Community Housing Cymru
- CHC Executive team
- CHC Finance Officers network
- CHC Governance Officers network
- CHC National Council
- Ceri Breeze, Housing Policy Division, Welsh Government
- Carol Kay, Housing Regulation, Welsh Government
- Darshan Singh Matharoo, Housing Regulation, Welsh Government
- David Hedges, Cyngor Da
- Patricia McCabe, Central Consultancy
- Stephanie Bamford, Central Consultancy
- Tenant Advisory Panel

Appendix 2: References

This appendix sets out sources of research referred to in the report.

A review of corporate governance in UK banks and other financial industry entities. Final recommendations ('Walker review'). HM Treasury, 2009 (Walker Review, 2009)

Board member pay spreadsheet. National Housing Federation, 2013 (NHF, 2013)

Boardroom Behaviours. A report prepared for Sir David Walker by the Institute of Chartered Secretaries and Administrators. Institute of Chartered Secretaries and Administrators, 2009 (ICSA, 2009)

Designing citizen-centred governance. Joseph Rowntree Foundation, 2008 (JRF, 2008)

The Eversheds Board Report. Measuring the impact of board composition on company performance. Eversheds, 2011 (Eversheds, 2011)

The Good Governance Standard for Public Services, The Independent Commission on Good Governance in Pubic Services, OPM and CIPFA, 2004

Governance as Leadership. Reframing the Work of Non-profit Boards. Chait R., Ryan W., Taylor B. Wiley, 2005 (*Governance as Leadership*, 2005)

Governance Baseline Survey Results, Community Housing Cymru, 2011 (CHC Survey, 2011)

Guidance on Board Effectiveness. Financial Reporting Council, 2011 (FRC, 2011)

How Colleges Improve. Ofsted, 2012 (Ofsted, 2012)

Interim Evaluation of the Regulatory Framework for Housing Associations in Wales. Smith R., Card P., Campbell J. and Mackie P. Welsh Government, 2013

The Seven Principles of Public Life, Committee of Standards in Public Life, 2013 (Seven Principles, 2013)

Submission to Parliamentary Commission in Banking Standards. Sundberg J. August 2012 (Sundberg, 2012)

The UK Corporate Governance Code. Financial Reporting Council, 2012 (FRC, 2012)

Appendix 3: Selected websites and documents giving good governance guidance

This Appendix provides sources of advice and guidance available from websites and published reports on anything and everything to do with governance, particularly for public or voluntary sector organisations. It is intended to help any organisation looking to learn more about good governance practice.

As well as giving guidance and advice, several of the websites listed below include model documents and specimen policies. None of the websites needs a membership log-in to access resources.

Institute of Chartered Secretaries and Administrators (ICSA)
> https://www.icsaglobal.com/

National Council for Voluntary Organisations (NCVO) http://www.ncvo-vol.org.uk/

Excellence Gateway (from the Learning and Skills Improvement Service)
> http://www.excellencegateway.org.uk/

Charity Commission http://www.charity-commission.gov.uk/

Confederation of Co-operative Housing (CCH) http://cch.coop/

National Federation of Tenant Management Organisations (NFTMOs)
> http://www.nftmo.com/

The documents below describe current best practice in governance, provide helpful insights and give practical advice. They are all downloadable free of charge.

The UK Corporate Governance Code. Financial Reporting Council, 2012
> http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.aspx

Guidance on Board Effectiveness. Financial Reporting Council, 2011
> http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Board-Effectiveness.aspx

Boards and Risk: A summary of discussions with companies, investors and advisers. Financial Reporting Council, 2011

https://frc.org.uk/Our-Work/Publications/Corporate-Governance/Boards-and-Risk-A-Summary-of-Discussions-with-Comp.aspx

Guidance on Audit Committees, Financial Reporting Council, 2012 http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Audit-Committees-September-2012.aspx

The Good Governance Standard for Public Services, The Independent Commission on Good Governance in Pubic Services, OPM and CIPFA, 2004 http://www.opm.co.uk/wp-content/uploads/2012/07/Good-Governance-Standard-for-Public-Services.pdf

The Healthy NHS Board. Principles for Good Governance. NHS National Leadership Council, 2010 http://www.ntda.nhs.uk/wp-content/uploads/2013/04/THE-HEALTHY-NHS-BOARD.pdf

Tenant Panels. Options for Accountability. The National Tenant Organisations, 2012 http://nationaltenants.files.wordpress.com/2012/03/tenant-panels-options-for-accountability.pdf

With the Best of Intentions: Learning from Problem Cases III. Housing Corporation, 2006 http://www.eukn.org/E_library/Housing/Housing_Management/Housing_Management/With_the_Best_of_Intentions_%E2%80%93_Learning_from_Problem_Cases_3

Community Housing Cymru (CHC) has a useful handbook for board members in Wales, which is designed to aid both existing and new board members: *The Board Game: A Good Governance Handbook for Housing Associations and Community Mutuals.* CHC, 2012

The National Housing Federation (NHF) publishes governance codes and good practice guidance for the housing association sector in England. These are available to purchase through the NHF's online bookshop.

http://www.housing.org.uk/publications/browse/.

Appendix 4: Governance criteria

This appendix sets out the various sources of standards and debates about good governance that have helped to inform the criteria the research team used to evaluate governance across housing associations. These sources were derived from the cross-sector research into governance, Community Housing Cymru's Charter and the Regulatory Framework.

Criterion	Source for the criterion
The role and functioning of the board • How the board sees its role • The size and composition of the board • The board and committees • The chair (including the chair and executive relationship)	Knowing who does what and why (both the CHC Charter and the Regulatory Framework – we make sure our purpose is clear and we achieve what we set out to do)
	Lesson 1 – there is broad consensus across all sectors about the basics of good governance
	Lesson 3 – good governance is not just about doing work better, but doing better work
	Lesson 9 – diversity of board composition is an important driver of board effectiveness, Governance Challenges 7 (boards not engaged in strategy from the start) and 9 (compliance governance)
	Lesson 15 – committee structures should be clear and streamlined and add value
	Lesson 8 – however effective structures and processes may be, there is no substitute for the quality of the chair; Governance Challenge 11 (insufficient support for the chair)
	Lessons 11 and 12 – other factors matter more than whether or not the chief executive is a member of the board; smaller boards do better
	The chair and chief executive – Governance Challenge 3 (positivity bias)
Board recruitment and renewal	Fostering innovative delivery – CHC Charter (the board review aspect is picked up under board learning)
	Lesson 10 – payment for board members in the public and voluntary sectors is now common and can help to strengthen

	governance
	Governance Challenges 12 (underdeveloped succession planning), 13 (inability to attract and retain high calibre board members) and 14 (lack of board diversity)

An effective governance culture
 	
• Board culture
 	
    ➢ Beyond the board meeting
 	
    ➢ Design of the board's work
 	
       • The Company Secretary
	The Brief – to what extent do associations foster a governance culture which enables constructive challenge, effective decision making and good outcomes?

	Lessons 2, 4 and 5 – boards need to think deeply about the behaviours they display; boards should consider a wider range of tools beyond the board meeting; well-informed, high-quality decision-making does not happen by accident
	Lessons 18, 19 and 20 – the annual board calendar is a vital tool; boards are blindfolded unless they are provided with the information around which they formulate their judgement and challenge; the need for well crafted minutes that capture the essence of the discussion and record decisions and actions
	Governance Challenges 1 (polite consensus), 2 (imbalance of support and challenge), 5 (over-reliance on board meetings), 6 (poorly designed board processes and work programmes) and 17 (limited understanding of staff views)
	Lesson 17 – a key resource for boards is the company secretary (or clerk, or board administrator, or governance officer)
	Governance Challenge 18 (company secretaries as undervalued change agents)

Board learning
 	
    • Induction and training
 	
    • Appraisal
	Being a learning organisation and Fostering innovative delivery (board review) – CHC Charter

	Lesson 7 – training, one-to-one mentoring and personal feedback are key ways of increasing board member effectiveness
	Governance Challenge 10 (under-developed board self-evaluation)
Putting the citizen first	An explicit principle in both the CHC Charter and the Regulatory Framework

	Lessons 13 and 14, delivering meaningful accountability in the public sector continues to be a live debate; there is still uncertainty about the role of citizens and service users in governance
	Governance Challenges 15 ('Horizontal accountability' vacuum) and 16 (underdeveloped capacity of service users to be effective board members)
Living public sector values	An explicit principle in both the CHC Charter and the Regulatory Framework
Fit for future challenges	The Brief – the extent to which governance arrangements are fit for the future challenges faced by the sector
	Achieving value for money – CHC Charter
	Delivery outcome of Regulatory Framework – we are a sound and financially viable business
	Lesson 6 – the board must retain responsibility in relation to strategic risks
	Governance Challenges 4 (information risk) and 8 (boards not adequately fulfilling their responsibilities in relation to risk)

Appendix 5: A checklist to support an effective board

This Appendix sets out some prompts and pointers about aspects of the effective conduct of the board's business, and arose from the research team's observation of housing association governance documents. We see it as a form of 'checklist' to support the work of anyone in a governance administration role. It is not intended to be a comprehensive list.

Forward planning

Consider setting aside time once a year to plan the board's work for the year ahead, mapping out the key items that the board (and committees) will want to consider and when it will want to do so, and whether there may be a better option than a standard agenda item. As part of this planning, it's helpful for board Away Days to be aligned to the business planning process.

Options where the board has significant decisions to make may include:

- commissioning an independent report;

- seeking advice from an expert;

- introducing a devil's advocate to provide challenge;

- establishing a sole purpose sub-committee or 'task and finish' working group;

- convening additional meetings.

For other topics and other circumstances it may also be worth considering:

- a board briefing or training session;

- a joint meeting with stakeholders;

- a board meeting at a different location or with additional participants;

- a facilitated discussion.

The forward plan would normally be reviewed as a regular item at the end of each meeting.

Consider the merits of holding separate board awareness or training sessions, perhaps before a formal board meeting, for example:

- looking at new and emerging issues affecting housing associations, and/or

- to gain an insight into a new area of activity for the housing association, and/or

- to consider an area in more depth than might be possible at a board meeting.

Getting the right people on board

Associations ought to have in place board member role descriptions which include a description of the role, and a person specification describing the required behaviours and attributes.

There ought also to be an application form or process for board membership which asks applicants to say how they demonstrate that they have:

- core skills common to all board members, for example good, independent judgement

- any additional skills required by the board at any particular time (for example property and asset management), and

- values which are consistent with the housing association's values

A clear board induction plan should include a checklist of actions and timeframes, e.g. actions to be completed in the new board member's first month, by three months, by six months, and within a year.

Committees

Review committee arrangements regularly to ensure that they continue to add value to scrutiny and decision-making without duplication of effort.

Before establishing a new committee, consider:

- Are the proposed functions of the committee really board functions or are they executive functions?

- Is a standing committee really required – or can the task be undertaken by a short life group?

- Are there good reasons why the proposed functions cannot be carried out by the whole board?

- Is the committee being established because of one major incident or issue – is it a proportionate response?

- Does the creation of the committee reduce clarity of role or create lack of alignment between other committees of the board and the board itself?

Consider defining a 'mission statement' for each committee – one or two sentences that define its overall purpose and how it contributes to achieving the organisation's overall vision and aims.

To maintain the focus on what the committee aims to achieve, define committee terms of reference in terms of the desired outcome, rather than just activity, e.g. 'To receive quarterly reports on performance', perhaps 'To monitor performance to ensure that customer service targets and objectives are met'.

Meeting papers

Organise board agenda items under headings to prioritise time and effort on the most significant items. Examples of potential headings include:

- Foresight, strategy, management and accountability

- Decision, monitoring, information and engagement/consultation items.

Put proposed durations for each agenda item on board agendas to ensure that time is focused on the most significant agenda items.

Include references/page numbers to aid board members' navigation, including when using a tablet or iPad.

There should be a clear reason why each and every report is being put to the board (or a committee) at any particular time. To clarify the purpose, it can be helpful to classify reports as being either for 'Decision', for 'Monitoring', for 'Information', or for 'Consultation'.

Each of the four types of report would fulfil a different purpose. These questions can help to assess whether reports are fit for purpose:

- *Do **Information** reports give the board the information it needs?*

- Is it clear why the board is being given this information, at this time?

- Does the paper include the right amount of detail – enough to give the board the information it needs, not so much that it overloads the board with too much information (or wastes the board's time)?

- *Do **Monitoring** reports give the board the information it needs to fulfil its oversight role?*

  - Is it clear what the board is being asked to monitor?

  - Does the paper make it clear where performance is not on track (e.g. to achieve corporate objectives, meet performance targets, remain within budget)?

  - Where there is under-performance, is it clear that the cause(s) and solution(s) have been investigated and identified?

  - Where performance is not on track, is it clear what action is being taken, by whom, when and with what expected outcome? Is it clear how the corrective action is being monitored, when and by whom?

  - Is it clear where performance is not going to meet year-end targets/budget and the lessons learned to prevent a recurrence?

  - Does the paper highlight significant progress or achievement?

  - Is it clear where the board is being asked to make a decision (e.g. to accept a revised target) or give a particular steer?

  - *Do **Decision** reports give the board the information it needs to fulfil its leadership role?*

  - Is it clear what decision the board is being asked to make?

  - Is it clear why the board is being asked to make a decision on this matter at this time?

- Is it clear what the recommendation is?

- Where appropriate, does it explain the options that have been considered, how they have been evaluated and why the selected option was chosen?

- Where appropriate, does it explain the consultation process that has been followed and the outcomes of the consultation?

- Where appropriate, does it explain how the implementation of the recommendation and the outcomes will be monitored?

- Does the paper clearly set out the implications of the recommendation, e.g. the risks associated with implementing the recommendation and arrangements to manage the risks; capital and revenue implications; equality and diversity implications; other relevant implications (e.g. legal, regulatory, sustainability, value for money)?

- *Do **Consultation/Engagement** papers give the board the information it needs to fulfil its strategic leadership role?*

- Is it clear what the context is, why the board is being consulted on this matter at this time?

- Is it clear what process this consultation is part of and what stage in the process this is (e.g. is this the first time the board has considered the matter? what other consultation is taking place? what is the next stage in the process?)

- Is it clear what the board is being consulted on?

- Are the key questions for the board highlighted?

- Are relevant options set out, with the implications of each?

Each paper should state its purpose clearly at the outset, focusing on how the board is to engage with it, e.g. 'The board is asked to satisfy itself that performance is on track to achieve targets and, where it is not, that appropriate remedial action is being taken.'

Matters arising and meeting follow-up

An action log, or similar, can help to ensure that the board's agreed actions and decisions are implemented. The log – which would be a standing item near the start of the meeting – would record the action, the responsible individual, the due date and a note of action taken/progress. Items would remain on the log until completed.

Consider revisiting decisions from previous meetings to establish whether the predicted benefits did in fact materialise.

Appendix 6: Basic skills matrix

Tenants, resident, community & neighbourhood issues
Knowledge of the areas, tenants and communities served by the association
Local capacity building, participation and involvement for tenants/residents
Membership/involvement in a local community or voluntary organisation, or a social enterprise
Local economic development, financial exclusion, community safety or employment creation initiatives
Equal opportunities & diversity; specific needs of local ethnic communities
Care, support and the needs of vulnerable people
Knowledge of other sectors – education, health, policing, etc.

Business, finance and governance
Commercial business, business planning, financial & management skills
Accountancy and audit, knowledge of statutory requirements
Financial and treasury management, funding structures
Risk management and mitigation
Performance management and continuous improvement
Governance and working as one of a board team
Experience of working as non-executive Director of a private company or plc.
Non-executive leadership. Chairing board / committee meetings
Project appraisal, management and financial modelling
Organisational strategy and policy development

Information technology and business systems
Leadership or management in the education sector
Planning and/or delivering change management in any organisation
Human resources and organisational change and development
Communications, marketing and public affairs
Legal or other professional

Housing, care & support, property and development
Housing management and maintenance of social housing
Provision of care and support for older or vulnerable people
Management, leadership and strategy in a housing or similar context
Regulation and inspection for social housing (or a similar regulated area)
Public policy and politics as relating to the wider social housing sectors
Provision of customer services with a focus on performance and improvement
Delivering Value for Money, Best Value, efficiency gains, continuous improvement
Funding, planning and development for housing and regeneration
Property, asset management, development, regeneration, surveying etc.
Facilities management
Sustainability, in terms of reducing energy use, pollution, carbon impact
Working with local authorities, or other government and statutory bodies

Appendix 7: Sector study governance questionnaire

This Appendix sets out the research survey questions sent to, and answered by, all housing associations.

About your organisation
1. In which year was your organisation established? Year
2. Which type of organisation are you? Community mutual ☐ Housing association ☐ Large Scale Voluntary Transfer ☐
3. Which form of legal structure do you have (e.g. industrial and provident society, registered charity etc.)?
4. Do you operate a group structure? Yes ☐ No ☐

Board composition and service
5. How many board members are there in total on the board?
6. Please indicate how many board members you have in each constituency type on your board. Against each type, write a number (e.g. 4 against 'Residents' or '0' against Council nominees). Independents: Residents: Council nominees: Co-optees:
7. Do you monitor the make-up of your board against the protected characteristics set out in the Equality Act 2010?[2] Yes ☐ No ☐ Some of them ☐ *If yes or 'some of them', send us your monitoring data as an attachment to this survey form. Please continue, however, to answer the questions below.*

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[2] Protected characteristics refer to the grounds upon which any discrimination is unlawful. They comprise: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief; sex (or gender); and sexual orientation.

8. Please indicate the gender make-up of your board. Write against each gender a number (e.g. 4 against 'Female').

Male:
Female:

9. Please indicate the gender of the chair of the board.

10. Please indicate the number of board members in the following age ranges on your board. *Write against each age range a number (e.g. 8 against 45-64).*

Up to 29
30-44
45-64
65+

11. Please indicate the chair's age range.

12. How many board members are from Black and Minority Ethnic (BME) groups?

13. Please indicate the chair's ethnicity.

14. Please indicate how many board members have served on your board within the following ranges of time. *Against each range for length of service, write a number (e.g. 3 against last 3 years).*

Last 3 years
4-5 years
6-10 years
11-15 years
16 years+

15. Please indicate from which constituency the chair has been appointed.

Independent ☐
Resident ☐
Council nominee ☐

16. Do you have maximum terms of office for your board members?

Yes ☐
No ☐
If yes, what is the maximum term?

17. Do you have a maximum term of office for the role of chair?

Yes ☐
No ☐

If yes, what is the maximum term?

18. Has your board changed size since the organisation was established?

Yes ☐
No ☐

If yes, please give more detail about when and why:

Selection of board members

19. Please describe how you find new board members to join your board. Please also describe the means through which your current chair was appointed. *Note: we are aware that you may have to 'elect' nominated candidates at an Annual General Meeting, but wish to clarify the process of selection before the AGM. Against each type of board member, click all the means by which that type of board member has been recruited (e.g. if independents have joined both through open recruitment and word of mouth, choose both of the relevant columns in that row).*

Type of board member	Open recruitment	Election by tenants	Local authority nominates	Word of mouth	Other (please describe)
Independent	☐	☐	☐	☐	
Resident	☐	☐	☐	☐	
Council nominee	☐	☐	☐	☐	
Current chair of the board	☐	☐	☐	☐	

20. Please describe how different types of board members are reappointed to the board, e.g. typically after a 3-year term. Just tick for the types of board members relevant to your organisational type (e.g. if you don't have Council nominees, ignore that part of the question). You may tick more than one option if more than one option applies, e.g. subject to satisfactory appraisal and subject to attendance record.

Type of board member	No process in place	New elections take place	Subject to satisfac. appraisal	Subject to attend. record	Subject to panel interview	Local authority nominates
Independ.	☐	☐	☐	☐	☐	☐
Resident	☐	☐	☐	☐	☐	☐
Council nominee	☐	☐	☐	☐	☐	☐

If any other methods are used, please describe these here:

21. Please tell us how prospective and new board members are supported.

Capacity-building training ☐
Board observation ☐
Induction programme ☐
Pre-board meeting meetings ☐
Buddy/mentor programme ☐
Other (please describe)

Operation of your board

22. How frequently are board meetings held? If you operate a group structure, please answer in relation to the parent board.

Monthly ☐
Six-weekly ☐
Every 2 months ☐
Quarterly ☐
Other (please indicate)

23. How long, on average, is each board meeting?

       hours

24. Please indicate which sub-committees you operate and how often they meet.

Name of sub-committee	Meets (how often):
Name of sub-committee	Meets (how often):
Name of sub-committee	Meets (how often):
Name of sub-committee	Meets (how often):
Name of sub-committee	Meets (how often):
Name of sub-committee	Meets (how often):

25. Have you carried out a skills audit of your board?

Yes ☐
No ☐
If yes, when was this last carried out?

26. Do you have a skills matrix in place for your board?

Yes ☐
No ☐

27. Who leads the board member appraisal process in your organisation? *Please give their role description or job title.*

28. Please indicate below which kinds of appraisal activities the board currently engages in. If you do not have a certain kind of appraisal in place, do not tick the box and simply leave the row blank.

Type	In use	How often (e.g. annually etc.)	Any other comments
Appraisal: Collective (whole board)	☐		
Appraisal: of the chair (whether by the whole board, several board members or a consultant)	☐		
Appraisals: Individual – self-assessment	☐		
Appraisals: Individual – incorporating 360 degree or peer review	☐		
External observation of the board	☐		

29. Are any board members engaged in other events/activities as part of their governance work? *Tick as appropriate.*

Activity	In place	Additional comments (e.g. frequency or types of roles/groups)
Board champions or portfolio holders	☐	
Task & finish /working groups	☐	
Board Away Days	☐	
Attending training sessions of the board (*please include descriptions of topics delivered over the last 2 years*)	☐	
Being coached or mentored	☐	
Other events/activities (please specify):	☐	

Ensuring good governance

30. Which standards do you measure your governance against?

Standard	Comments
Charter of Good Governance (Community Housing Cymru)	
Other (please specify):	

31. Have your Rules ever been revised?

Yes   ☐   Year:

No   ☐

32. Who carries out the Company Secretarial role for your organisation?

Chief Executive   ☐

Director of Finance/Resources ☐
Other (please name role)

33. Is there a role description for the board member role?

Yes ☐
No ☐

34. Is there a person specification for the board member role?

Yes ☐
No ☐

35. Does the board work to a Code of Conduct?

Yes ☐
No ☐

Governance facing outwards

36. Does the board connect directly with any tenant involvement structures in your organisation (e.g. tenant panels, scrutiny groups, residents associations)?

Yes ☐
No ☐

If yes, please explain how this operates in practice.

37. Does the chair (or any other designated board member) participate in external networks or groupings (e.g. CHC chairs' network) or attend any conferences?

Yes ☐
No ☐

If yes, please specify which ones (using examples from the last two years).

Supporting sector improvement

38. Please include here your board's views on up to three ways in which the sector could be supported to improve:

1.
2.
3.

Appendix 8: Interview and Focus Group Questions

This appendix provides further detail of the research team's methodology in respect of interview and focus group questions.

Resident focus group questions

1. All housing associations and community mutual are asked to 'put the citizen first', i.e. the people who use their services. What does that phrase mean to you?
2. How well do you think housing associations put the citizen first?
3. Tell us about the extent of your role in helping your landlord to assess the quality of their services?
4. Is that role what you want it to be?
5. Do you get feedback on what's changed?
6. How easy is it to compare the performance of your association with other ones (do you?)?In what ways can housing associations demonstrate that they are listening to and connecting with your views?
7. Who do you see as the stakeholders who need to be (or indeed have been) taking account of your views?
8. What do you know about the board of your association and what its role is?
9. What would you see as the future challenges for governance in the sector? (maybe just ask about the general challenges first)
10. Is there anything that you think the board should be communicating about? If yes, what's the best way for it to do that?
11. What kind of support, changes, processes, networks help and could help you to be effective in your role?

Board member focus group questions

1. What do you see as the future governance challenges faced by the sector?
2. What tools or support or other interventions might support you in facing these? [Explore whether any particular training needed]
3. How can boards be encouraged to own risk management – has anything worked particularly well for you?
4. We know that every board needs the skills, knowledge and experience to perform well. Are any interventions or approaches particularly successful in helping to get the right (and a diverse group of) people on board?
   - Does anything need to change?
   - Is the sector currently fit for purpose in your view?
5. What does an effective governance culture look and feel like to you?
6. There's a lot said in governance about 'effective challenge': how well do we think boards demonstrate that?
7. What kinds of support or tools or processes might help to develop this skills?
8. How do boards best engage in reflective, strategic thinking?

9. Do any other kinds of initiatives help to encourage the external challenge of assumptions?
10. In summary, which changes are most important to help enhance the effectiveness of housing sector governance?

Stakeholder interview questions

1. What's your snapshot view on where governance is in the sector at the moment?

2. What do you see as the future governance challenges for the sector?

3. How can the sector be supported to improve to meet these challenges [i.e. what interventions, training etc. needed]?

4. Is there anything that you've done that that you would recommend to others to foster an effective governance culture?

5. What have you learned about getting the right mix of skills and experience around the table?

6. Is there anything else you'd like me to feed into this review?

7. What would you like to see come out of this review?

Chief Executive questions

1. What do you see as the key elements of an effective board?

2. How do you view your 'governance menu' across the course of a calendar year [i.e. meetings, away days, strategy events etc.]?

3. Are there any changes or innovations you've introduced that have made a difference to the quality of governance?

4. How do you view your role in enabling a governance culture which enables constructive challenge, effective decision making and good outcomes?

5. How would you describe the quality of challenge posed by the board to you and senior staff?

6. We're always mindful of boards not being too operational. How can a board best ensure that the organisation is delivering efficient and effective landlord services?

7. How do you view the CE's role in cascading the Golden Thread – the board's vision and strategy – through the organisation?

8. How do you shape a culture that supports delivery of outcomes, innovates and learns? [recognising that this isn't easy to do and that they may be somewhere on a journey]

9. Does the board have its own risk map?

   - Follow-up – how well do you think your board understands risk management?

   - Is the board alive to the changing/dynamic nature of risk?

10. Does the board understand the organisation's finances?

11. What do you see as the future governance challenges faced by the sector? What tools or support or other interventions might support you in facing these?

12. Are there any aspects of your governance culture or practice that work well and that you are particularly proud of?

Chair and other board member questions

1. What do you see as the key elements of an effective board?

2. How do you foster a governance culture which enables constructive challenge, effective decision making and good outcomes?

3. We always talk and hear about the need for boards to provide effective challenge. Do you think your board has a shared view of what that is?

   - How does a board get the right balance of challenge and support to the Executive?

   - How do we all ensure that the focus on boards behaving well doesn't mean that they just tick the boxes on staff proposals?

4. How can a board best live and demonstrate 'public sector values'?

5. All housing associations and community mutuals are asked to 'put the citizen first', i.e. the people who use their services. How is board business best informed by resident and service user views?

6. Being strategic' is mentioned a lot in relation to boards. What does it mean to you? How do you decide what goes on to your board agendas? Follow up probing around how they look forward – strategy setting, scenario planning, future financial modelling etc.

7. How does the board apply risk management to its discussions? Explore relationship with/ownership of risk map

8. We've seen a lot of reliance on 'the finance expert' on the board across all housing sectors. How would you characterise the financial literacy of the board?

9. What do you see as the future governance challenges faced by the sector?

10. What tools or support or other interventions might support you in facing these?

Finance Network Questions

1. When you present a paper on finance or risk issues to your board, is there constructive and well informed challenge from all board members?

2. How could your board best be helped to up its game on finance and risk in the tough new business environment?

3. What are the top areas in which boards will need to recruit or develop enhanced skills?

A1   This section sets out examples of good practice and identifies some learning points from, first, the research team's observations of board meetings and, secondly, from a review of governance documents. It should be noted that the findings here are based on the limited evidence of the five case study organisations and of the documentation obtained from them and from a further eight organisations. The organisations that were observed and the organisations from which documents were gathered were mutually exclusive groups. The template of competencies we considered in observing board meetings can be found in the following Appendix (10). Our observations are summarised below under the same headings as the template.

Quality of information

B1   Generally, agendas for observed board meetings were well structured, grouping 'decision', 'discussion' and 'information' items. (A couple of sets of papers separated confidential and non-confidential items – one used coloured paper for the confidential items.) Two of the organisations gave each agenda item an indicative timing. The packs of papers were numbered, making page referencing straightforward during the meeting, and a couple of them were sturdily bound. One pack included a helpful pull-out agenda at the back (to avoid having to keep turning back to the agenda at the front of the pack).

B2   One organisation had among the best meeting minutes the research team had encountered for any board (in Wales, England and Scotland). For the substantive items, these minutes are divided into three sections: the report (or introduction); the discussion; the outcome. The 'discussion' section lists (and numbers) the various questions/points raised and records the response given to each. This structure makes the minutes easily accessible, as well as allowing for unambiguous referencing to specific points in the minutes.

B3   There were different approaches to capturing action points. For example, one organisation had good clear minutes of an appropriate length and detail, clearly recording board approvals and the officer/due date for any

actions. Another had an action sheet attached to the minutes that was monitored. A third had a particularly useful table of action points from previous board meetings, capturing the meeting at which the point was first raised, the report heading, the action point and board requirements, officer responsible, completion dates, and progress or comments. This was then dealt with as a separate item on the agenda, after minutes and matters arising.

B4   Papers were well written and used plain language. There appeared to be a willingness to explain technical language: a paper on ICT strategy, for example, included a glossary of terms.

B5   Each report was explicit about the recommendations for the board. One organisation, for example, had a box early on in each report that was entitled 'Action required of the board', while another set out recommendations/purpose at the outset, with seven standard headings included at the end of each paper (including 'How does the recommendation contribute to the corporate plan?' and 'Risks and proposal to mitigate them').

Understanding the context and items under discussion

C1   Generally, there were good levels of understanding of the items under discussion demonstrated by board members at the observed meetings, resulting in appropriate questioning and comments – questions such as 'What are the risks?' 'What are the lessons from the demonstration projects?'

C2   At one organisation, which has board member champions, some board members had been involved in certain items before they came to the board. For example, the chair of Audit had reviewed the proposed treasury management policy in his role as 'champion'.

C3   At a couple of the observed meetings, some board members contributed nothing or very little to the discussions. The meeting dynamics depended on a minority of board members around the table. (A harder judgement call is the degree to which the engagement of the board members can be influenced by the energy and style of staff or consultant

presentations. A lively presentation at one of these meetings did provoke clarifying and appropriate questioning, but there was less probing of what outcomes might look like in practice or stretching the executive in this area.)

Focus on strategy, approach and outcomes rather than operational detail

D1 At four out of five observed meetings, the board's focus was very much on strategy, approach and outcomes rather than operational detail. As noted above, questioning focused on ensuring that appropriate processes were being followed and that risks were being identified, rather than delving into operational detail. For example, at one meeting, generally the discussion was at a high level, with examples of scrutiny and support and, to a lesser extent, stretch. An ICT discussion elicited comment and challenge regarding target setting, benchmarking costs, collaboration with other associations and systems integration.

D2 At one meeting the debate was variable – some board members engaged at a strategic level and made the connection between conceptual issues and their applicability at an organisational level. There was limited evidence to suggest that this thinking applied across the board. There was questioning and probing on a presentation, but less evidence of stretch (e.g. proposed targets) and even a touch of caution. There was limited probing of a new activity's place and relationship within the wider organisation's corporate plan.

D3 There was no evidence at the observed meetings of boards focusing on the longer term vision of their organisations (this may just reflect the matters under consideration at those particular meetings, rather than infer that these boards don't engage in such long-term discussions).

Demonstration and awareness of governance responsibilities

E1 All board members appeared to have read the meeting papers and prepared questions/comments in advance.

E2 One organisation had scope for its tenant body to make comments on board papers which are fed into the meeting at the relevant points. This

is an interesting demonstration of accountability and shows good forward planning.

E3   One organisation had some items on the agenda which, while not strategic, were included because of regulatory or stewardship/governance requirements, e.g. appointment of staff relatives (Schedule 1), and the board demonstrated its understanding in this respect.

E4   One organisation had a standing agenda item inviting board members to raise any other strategic issues. This seemed to us innovative and presents an opportunity for board members to lead and initiate work in a structured way. At the observed meeting, this item included a discussion about health and housing and led to a request for a paper on the direction of travel the Welsh Government intends to adopt.

E5   Across several meetings, the chair sometimes played an important role in reminding the board of its governance conscience, e.g. noting that 'It is important that we as a board keep up with that', and chief executives sometimes helpfully asked 'How does the board want to engage with that?'

E6   At one meeting, while there were lots of clarifying questions and probing, there was less evidence of staff being held to account or of how issues related to the organisation's longer term objectives.

E7   Two tenant board members of one board, one of whom chairs a committee, showed an excellent understanding of their role as board members. They participated fully in the meeting and their status as tenants as well as board members was not apparent either from their own conduct or from that of others towards them.

E8   At one observed meeting, the chairs of the two committees both presented the reports from their respective committees (rather than the reports being presented by officers) – demonstrating awareness of their responsibility as committee chairs.

E9   Board members and staff appeared to fulfil distinct roles. There was no instance in any of the meetings of a board member straying across the boundary into a staff role.

Critical evaluation and decision-making

F1   Because of the content of the different board meetings, it was difficult to evidence decision-making in practice (a different agenda may have rendered different outcomes). For example, one meeting's focus was on monitoring and evaluation, so there was little on the agenda that required a decision, another's was an end-year review against plan. Mostly, there was no opportunity, because of the design of the meetings, to observe how the board handled such situations.

F2   At one meeting, there was some evidence of evaluation of ideas, but limited evidence of how staff might take these ideas forward and no guidance or actions for staff arising from the discussion – the chairing of the meeting did not assist in the process.

F3   One point of consideration for chairs is how they encourage the board to develop a dialogue during the board's consideration of specific items, rather than board members simply asking questions and getting answers.

F4   There was a good example of a board in problem-solving mode, where board members were invited to have a quick 'brainstorm' on ideas around value for money (a letter had also been sent to board members previously). The chair actively solicited board members with particularly relevant experience to respond on the question. For example, the chair asked one of the board members with experience across the sector, to which there was a response around dynamic scheduling of repairs, treasury strategy, cost-sharing back office services, and contracting out. Others suggested that savings could be made on payment transaction costs and by grouping repairs jobs. The chair also asked the board to consider how tenants might view the notion of what constituted value for money. An interesting debate opened up around the organisation's role in relation to anti-social behaviour, particularly in areas where the

numbers of units managed are few, whether the organisation bears any responsibility towards other tenants living in those areas (in terms of investment in tackling anti-social behaviour), and regulatory expectations.

F5   At one of the observed meetings, two separate presentations by staff took almost an hour. This appeared to curtail the board's appetite to engage in debate. Although the quality of questioning was very good, five or six board members said very little during these sessions, and the meeting lasted for over three hours.

Effective challenge

G1   The kind of challenge we most commonly saw across the different meetings was a probing in pursuit of clarity of information or approaches. For the most part this was diligent and sometimes insightful.

G2   In one meeting, there were many examples of board members probing where they identified a potential weakness. For example, the board queried: the amount of data being collected/held on individual tenants, the uses to which it was being put and the data protection implications; whether there were adequate arrangements in place for holding appropriate stocks of medical supplies; whether there were staff training issues arising from the fire safety audit. The board questioned the decision, on cost grounds, not to implement some aspect of fire safety and the issue was debated between board members and staff.

G3   Board discussions demonstrated an alertness to the risks posed to their organisations by welfare reform, and demonstrated an appetite to monitor performance in this area closely. There was evidence throughout the agendas of risk considerations being applied to all agenda items.

G4   In one meeting, the board noted that a programme of audits was falling behind schedule. In response to a board question, it was reported that the relevant staff member was on sick leave and that there was no other trained staff member who could provide coverage. The discussion led to

a decision to identify other resources – probably a consultant – to carry out the highest priority audits.

G5   There was little evidence at most of the observed meetings of challenge of assumptions or interpretations – but in some cases it was not apparent that there were items on the agenda on which a significant degree of challenge was necessary or appropriate.

G6   At one meeting there was some wider challenge of assumptions, for example whether investment in some geographical areas was proportionate to the organisation's role in the community, and how this might be measured in terms of outcomes.

G7   At one meeting, the agenda included a review of the strategic risk register, and it was clear that this is a live document, which has been considered by staff and the various committees. Consideration of risk appetite was a factor in considering the budget for the forthcoming year ('is what we're assuming correct?'), including the new business the organisation sought to win and how deficits and surpluses might be construed in those relationships. This kind of approach was in contradistinction to another organisation's meeting, where it was unclear how a proposed business activity fitted within the overall risk appetite and wider corporate plan, and how much if any resources it was prepared to invest to support or under-write the proposition. The board did however probe risks associated with the establishment of the activity.

G8   A discussion of a balanced scorecard in another meeting led to a request from the vice-chair to link the scorecard to the risk register and for the critical risk factors to be reported to the board every month.

G9   In several meetings, there was little evidence of different options and approaches being considered. The observers emerged without a strong sense of boards being alive to the scope of decisions available to them, rather than simply the ones being recommended by staff.

Constructive & supportive behaviours

H1   Behaviours were professional and respectful, with courteous questioning, challenges and responses. There was openness from staff.

H2 Generally, staff introduced their papers briefly and well, though in one organisation there were two very lengthy introductions to papers that somewhat sapped the energy out of the meeting (and in which the chair might have intervened to bring to a swifter conclusion).

H3 There were a couple of meetings in which there were strong differences of opinion, though views were respectfully put.

H4 In one meeting, although ready to respond to board member suggestions, staff did not accept board suggestions uncritically – on occasions they explained why a different course of action was more appropriate.

H5 At one observed meeting, in relation to something that had gone less well, the board's focus was on learning and checking, rather than blaming: one of the first questions asked was 'can it happen again?'

H6 At two of the observed meetings it was notable that resident board members sat together. In terms of building skills across constituencies, and sometimes hands-on mentoring where it's helpful, it might be useful to think about how boards encourage constituencies to 'mix up'.

Well chaired

I1 Our observations of chairing were mostly very positive. Chairs were inclusive, consensual and didn't allow their own views to dominate. Several chairs demonstrated an ability to draw out (rather than simply manage) contributions from people around the table. With the exception of one chair who could have managed the beginning and close of the meeting more crisply, and who appeared to lose control over questioning at one point, all showed an ability to manage the agenda and bring clarity to what had been agreed.

I2 In a couple of the observations, chairs demonstrated an ability to ask questions that drew out wider issues. For example, in relation to an item on 'income management' a chair raised the question of the changing relationship between the association and tenants, and asked 'What will our behaviour be around that changing relationship?' and at another point 'What are the trends among other housing associations?'

I3   One chair appeared to be keeping a focus on improving the way the board works. For example, he requested that the format of the 'balanced scorecard' be reviewed at the next meeting, noting 'There is more value that we could take advantage of'.

I4   Another chair maintained a focus on process. He ensured that it was clear how items were being handled – for example, when the chief executive was going through a fairly long report, he checked 'Are you going through the items one at a time?' At another point, he asked a board member to put a question on hold until the meeting got to the relevant item in the agenda. At another point he noted the need to record that the board had seen certain information (even though the paper did not specifically request that the board note the information).

I5   Chairs sometimes congratulated staff on their reports and sometimes asked that the board's appreciation be passed on to staff who were not present at the meeting. A chair thanked a member of staff for bringing a complex issue around leaseholder debts to the board's attention.

Summary of board meeting activity

J1   The observed board meetings dealt, on average, with about 10 main agenda items, although there was a large range from three to 16 items.

J2   Across meeting agendas as a whole, there was a clear emphasis on items that involved the board approving, accepting and receiving information, rather than on items that involved activities such as debating, deciding or initiating. This was a feature of 35 of the 50 agenda items discussed. Although more proactive activities were less common, all the meetings featured some debate on at least one agenda item (and, in the case of one of the observed meetings, this was as high as one third of agenda items.

Table 6: Main activities of agenda items

Main activity of agenda item	Number of agenda items and case study number	Total
Approving/ accepting/ receiving	10 (Case Study 1) 7 (Case Study 2) 15 (Case Study 3) 3 (Case Study 4)	35
Monitoring/scrutiny/ tracking	1 (Case Study 5) 1 (Case Study 2) 10 (Case Study 3) 3 (Case Study 4)	15
Debating	3 (Case Study 5) 4 (Case Study 1) 2 (Case Study 2) 1.5 (Case Study 3) 1 (Case Study 4)	11.5
Challenging	2 (Case Study 2) 4 (Case Study 3) 2 (Case Study 4)	8
Amending	1 (Case Study 5) 2 (Case Study 2) 2 (Case Study 3) 1 (Case Study 4)	6
Evaluating/ deciding	3 (Case Study 5) 1 (Case Study 1) 2 (Case Study 3)	5
Setting/ stretching	2 (Case Study 2) 1 (Case Study 3)	3
Leading/ Initiating	1 (Case Study 2) 1 (Case Study 3)	2
Other functions	Unspecified – 2 – (Case Study 5) Clarifying – 5 – (Case Study 2) Suggesting – 2 – (Case Study 2) Supporting – 1 – (Case Study 2); 5 – (Case Study 3) Recognising achievement – 2 – (Case Study 2) Stewardship and governance – 6 – (Case Study 3) Questioning – 1 – (Case Study 3)	24

Total number of substantive agenda items	50
(Case Study 5) – 10 (Case Study 1)– 12 (Case Study 2) – 9 (Case Study 3)– 16 (Case Study 4) –3	

Observations from document reviews

K1   Overall, the quality of governance documents that have been reviewed varies considerably. At one end of the spectrum, some housing associations have clearly put a lot of attention and effort into thinking about how to make their governance processes as effective as possible, and this is reflected in their documentation and processes. Others, for example some of the LSVTs, appear to be adapting their governance arrangements from the initial start-up phase towards an on-going operation.

K2   Disappointingly, a small number of housing associations had out-of-date, inappropriate or inadequate documents and processes supporting their governance arrangements.

Getting the most from the board

L1   Of the positive practice among agendas reviewed was the prioritisation of 'high profile' and significant items, anticipated duration of each agenda item, along with clear page numbering and references to assist board members navigating the agenda (whether hard copy or electronically).

L2   Although templates for board papers can be very useful, from our review of documentation most papers following a template gave the impression of a 'box-ticking' exercise which did not help or inform board discussion. Some board reports helpfully included author contact details.

L3   About half of the housing associations whose documents we reviewed held monthly board meetings, with a tendency (judging from the agendas) for the boards to consider issues that were operational rather than strategic in nature.

L4   Among positive practice evidenced were some housing associations using some of their board meetings, or away days, to focus on cross-cutting and 'on the horizon' issues.

L5   The document review showed that many of the housing associations were using externally facilitated events to aid their decision making processes. For example board away days were sometimes externally facilitated. One or two housing associations appeared to have used external parties to assist in their board appraisal process.

Risk mapping

M1   The examples of strategic risk maps that were looked at as part of the document review varied in quality and utility as a performance tool for the board to use. Useful risk frameworks clearly showed the active controls in place to mitigate risks. The more basic ones appeared static and had no scoring or traffic lights in place. One housing association took its risk reporting a stage further by placing the risks that it faced within the context of the overall risks facing Welsh housing associations.

Getting the right people on board

N1   Some of the board member role descriptions under review were very bland (and often very little consideration had been given to the chair's role description and person specification). The better examples gave a clearer description of the role and responsibilities, and they were accompanied by a person specification detailing the attributes and values needed for the role. Codes of Conduct were also rather mechanistic with little focus on behaviours in a wide sense (rather than simply behaviours as compliance).

N2   One application form for board membership helpfully asked applicants to say how they demonstrate that they have:

- core skills common to all board members, for example good, independent judgement

- any additional skills required by the board at any particular time (for example property and asset management), and

- values which are consistent with the organisation's.

N3 Among other positive practice were comprehensive board induction arrangements in place, with clear targets for elements of the induction to be completed within different time periods.

N4 One organisation produces a quarterly board member's journal, personally tailored to document each board members' meeting commitments, together with any other activities in that quarter, such as a visit to a local area, or attendance at a tenants' panel meeting. The same organisation had an excellent induction, information pack and checklist which set out:

- various key governance documents, e.g. appointment letter, Code of Conduct

- corporate information e.g. annual accounts

- other publications, e.g. tenants' newsletter

- training information

- meetings with executive team

- meetings with heads of service

- scheme visits.

N5 There was a greater propensity towards collective board appraisal reviews, than of individual ones. Among the good practice evidenced were individual appraisal arrangements and, every two years, facilitated whole board appraisals, including some element of 360 degree feedback. An interesting example aligned the board appraisal process to staff appraisals.

N6 There was scant evidence of any benchmarking in board papers – this appears to be an under-developed area across the sector.

N7 The format of business plans, where made available, mostly didn't suggest that much consideration had been given to how the business plan might be shared with other stakeholders, such as residents and staff.

Appendix 10: Board observation sheet

This Appendix sets out the methodology used by the research team to observe and evaluate board performance at board meetings.

Note: *Score 5 = highest level of performance*

1) Quality of information	
Examples Good presentation of papers (titling, structure, layout etc.) designed for accessibility and readability Purpose of each paper is clear Each paper merits a place on the agenda	Score: 1 2 3 4 5
2) Understanding the context and items under discussion	
Examples Providing comments or other information Clarifying and appropriate questioning Informed discussion Reference to current issues in the sector Understanding of performance measures/evidence to assess achievement of outcomes	
3) Focus on strategy, approach & outcomes rather than operational detail	
Level of debate – and not bringing the debate down to operational minutiae Taking a broad view of the business, its assets, its finances, its customers and its staff Familiarity of objectives by quoting examples or making links Stretching the organisation to improve Promoting a performance culture Discussions/decisions pertaining to achievement of delivery outcomes or corporate objectives	

4) Demonstration and awareness of governance responsibilities	Score:
Examples Having prepared comments or questions – active participation Making a link between the topics under discussion and governance responsibilities Reference to board role, e.g. stewardship, leadership, the longer term vision Holding staff to account Awareness of boundaries between own and staff role Use made of Comp Sec role where needed, or reference to external advice	1　2　3　4　5
5) Critical evaluation and decision-making	
Examples Ability to evaluate information presented – asking for help, advice, checking accuracy Ability to evaluate ideas and suggestions raised in the meeting Evaluating facts and evidence logically to arrive at decisions Ability to find consensus and closure	
6) Effective challenge	
Examples Challenge of assumptions Challenge of interpretations Making connections across reports or data sets Probing in pursuit of clarity of information, approach or outcomes Ability to bring an external perspective and other experiences to discussions	

7) Application of risk management	Score:
Examples Good understanding of risk (specific and sector-wide) Identifying risks pertaining to different options and decisions Probing of control measures Consideration of risk appetite	1 2 3 4 5
8) Constructive & supportive behaviours	
Examples Supportive and constructive comments Listening to and showing respect for the views of others Ability to express disagreement in an assertive not aggressive way Good teamworking – willingness to stand by decisions Appropriate relationship with executive staff Staff respond constructively, take direction Appetite to find solutions, lessons, outcomes	
9) Well chaired	
Examples Opening and closing the meeting positively Managing the agenda as appropriate (formalities, timekeeping, moving items around if needed) Engaging the board – obtaining contributions Directing and controlling the discussion, own views not dominating Clarifying/summarising where needed	

Please make a note here of any board papers feeding directly into delivery outcomes or corporate objectives and how

Any other relevant observations	

BOARD BEHAVIOUR/ROLE – note: you may tick however many options apply to a single agenda item

AGENDA ITEM	Approving / accepting/ receiving	Amending	Debating	Evaluating/ deciding	Setting/ stretching	Leading/ Initiating	Monitoring/ scrutiny/ tracking	Challenging	Other

BOARD BEHAVIOUR/ROLE – note: you may tick however many options apply to a single agenda item

AGENDA ITEM	Approving/ accepting/ receiving	Debating	Setting/ Leading/ Initiating	Choosing/ deciding	Amending	Monitoring	Referring/ following through	Challenging	Other