



Governance Masterclass
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Introduction



Change and challenge for the sector

- Bigger than 1988
- 2015 was a watershed year for the sector
- Compounded by the Housing and Planning Act 2016
- It's been said before but.....things will never be the same again
- End of grant, rent reduction, Pay to Stay, Right to Buy, LHA cap, welfare reform, declassification of HAs, de-regulatory measures, fixed term tenancies, sale of high value LA homes.....the list is endless
- What does this mean for governance?



Governance

- More focus on good governance now than ever
- As sector changes and impact of government policy hits, HAs need to have strong, effective boards to make right decisions
- Skills, recruitment, term of office, performance
- Governance support crucial – harder to resource?
- Personal commitment/responsibility
- Effective meetings and decision-making, including audit trail
- Holding CEO/Executive to account – not too cosy
- Coping with change – many larger HAs have completely reviewed their Board and governance – do smaller HAs need to do the same?



Re-visiting purpose and form

- Key strategic starting point – forced by operating environment
- Issue for all housing providers
- Key topic at Board away days
- Re-visiting mission, vision, values
- Can we still achieve purpose? Or do we need to change?
- What's the best form of organisation to deliver?
- Some charitable housing associations are changing to Community Benefit Societies to allow asset sales
- Some specialists deregistering
- Strategic plans derive from purpose
- Needs to be Board-led exercise



Does size matter?

- Government believes sector is too large & is not VFM
- Driving forward consolidation/reduction
- Smaller HAs more vulnerable because of size – or are they?
- Consider materiality – combined only 5% of assets/turnover/debt
- BUT....constitute more than 80% of the overall number of HAs
- Vast majority of mergers being currently considered are large/medium – not smaller (plus the imminent mega merger)
- Long-standing evidence suggests bigger is not cheaper
- But.....some smaller HAs are expensive – can you justify it?
- Much of this is about PR – telling a compelling story to the right people at the right time



Risk

- Risk is up across whole sector
- Regulatory requirement in Governance Standard - assurance
- Management of risk – knowing what could happen and what you'll do if it does
- Defining risk appetite – feeding risk strategy
- Supported housing rent issue/LHA cap could close down some specialist providers – top of risk register
- Income/welfare reform risks – modelling and being prepared



Risk

- RTB – formulate policy and model impact
- Mergers – your own stance but also responding to approaches
- Surpluses – having a policy which can be defended
- Increase in regulation (more later)
- Not an exhaustive list!



Regulation

- HCA mooted review of smaller HAs' regulation 2016
- Likely to mean removal of 'arbitrary' 1000 units limit for increase regulatory focus – risk-based
- IDA's undertaken for all kinds of housing associations
- Also likely to be linked to development – higher risk and of more interest if building new homes
- Deregulation – sigh of relief? Or not.....because it puts even more onus on effective governance, managing risk and Board behaviour



So, our top tips for governance...



1. Thinking about what works for you

- Set out your culture, behaviours and standards
- What are your expectations for contribution and conduct?
- Be clear about mission and values
- Take time to think about the real purpose of the board and how they contribute to governance
- Would/does payment make a difference?
- Support & the role of the Company Secretary

Questions:

- What does this mean for your organisation?
- Do you pay – what has this meant for you? Have you thought about payment – what did you decide and why?
- How does the Co Sec role work in your organisation?



2. How long and who's chairing?

- Terms of office are now “standard” in the sector
- Balance of continuity and renewal
- Movement to two, 3 year terms plus additional 1 year terms (up to 3) by exception
- Chairing – increasing demands, specific role & remit, leadership & ambassadorial

Questions:

- What's the approach to terms of office in your organisation?
- Has this driven change? Created issues?
- Have you revised the approach to chairing recently?
- Are you facing any challenges/demands attracting candidates?



3. Skills & Appraisal

- Taking personal responsibility
- Individual evaluation of performance
- Annual appraisal – individual and collective
- Skills, competency and board structure & composition

Questions:

- Do you undertaken regular reviews & an annual appraisal process?
- Has this changed how you work as an individual / together?
- When did you last review your governance structure? What did you learn?



Key points



Questions and Comments?