



Effective boards

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20 October 2020



What I will cover



- Introduction to DTP
- Context – regulatory requirements and NHF Code of Governance
- Characteristics of an effective board
- How do you know
- Diversity
- What's new – current governance themes



About DTP



- Established in 2006, DTP is an independent consultancy providing high quality advice and support to affordable housing providers, charities and commercial organisations across the UK
- Our mission is to help businesses improve and deliver better services to their customers



What we do



Strategy and Governance

Strategy development
 Group structures, partnerships and mergers
 Board recruitment, appraisal and training and development
 Regulatory compliance and recovery
 IDA preparation, support and critical friend
 Risk management and assurance
 Governance reviews and support



Finance and Funding

Business planning (Brix Certified Partner)
 Raising finance and treasury management
 Financial and cultural due diligence
 Asset management and development



Resources

Information management and technology
 Interim management
 Project management



Business Transformation

Organisational reviews
 VFM and efficiency
 Stock rationalisation and transfer
 Performance improvement
 Policy development and research



Care and Support

Strategic planning
 Business effectiveness and growth
 Support and advice
 Regulation and compliance
 Recruitment and interim leadership



Compliance Assurance Pulse Checks:

Review and recommend based on:
 The four Consumer Standards (Home, Tenancy, Neighbourhood and Community, Tenant Involvement and Empowerment)
 The Rent Standard
 Approach to welfare reform



Who we work for – some of our smaller clients



A different perspective



Our people



Sam McGrady – Director

Sam has more than 28 years' experience in the social housing sector. Prior to joining DTP, she was HouseMark's Deputy Chief Executive for nine years. At DTP Sam specialises in strategy development, regulatory compliance, value for money and efficiency, governance and project management. She has helped many clients prepare successfully for regulatory In-Depth Assessment. Sam has held a variety of senior level interim management roles, turning around failing housing organisations, and before that worked for a range of social housing landlords in housing management.

Sam has an excellent knowledge and understanding of the operating and regulatory environment, and is well connected with a wide range of sector bodies and groups. Sam is currently a member of the HCA's Advisers' Panel and the CIH Policy Advisory Committee. Sam leads on DTP's external communications and profile.





Context



Regulatory framework:

- RSH Governance and Financial Viability Standard
- Adherence to chosen Code of Governance (usually NHF Code 2015; other codes are available)
- Regulatory judgements (more than 1000 units)
- Regulatory notices (all)
- Enforcement action

Best practice:

- Good governance is good business sense
- Professionalisation of housing sector boards – skills-based, diverse, more business-like
- Effective boards lead to achievement of purpose



NHF Code of governance 2015



- Composition
- Role and function
- Board induction and information
- Board recruitment, renewal and review
- Chair
- Conduct of Board business
- Chief Executive
- Committees – role, TORs etc
- Open, transparent and accountable
- Diversity and inclusion
- Audit and risk
- Conduct and probity



RSH G&FV Standard



- Governance ... deliver aims, objectives and outcomes
- Effective, transparent and accountable
- Code of governance - compliance
- Clear roles, responsibilities and accountabilities for Board, Chair and Chief Executive
- Probity arrangements
- Assess effectiveness of governance arrangements each year
- Manage affairs with ... skill, independence, diligence, effectiveness, prudence and foresight
- Communicate in timely manner with regulator re non-compliance
- Appropriate, robust and prudent business planning, risk and control framework



Effective Boards



- Have clear culture, behaviours and standards
- Have defined and understood expectations for contribution and conduct
- Are clear about purpose, mission and values
- Are strategic (not operational)
- Have the right committee/subsidiary structure in place to facilitate delivery of corporate objectives
- Have an effective Chair – strong, inclusive, lead, ambassadorial
- Work as a team – both as a group of non-executives, and with the executive
- Prepare properly for meetings and keep up to date
- Observe good meeting behaviour during meetings
- Seek assurance; challenge when this isn't forthcoming
- Have the right balance of challenge and support, and do it in an appropriate way



Effective Boards



- Take **personal responsibility** and are self reflective
- Deal appropriately with **members who fall short of expected standards**
- Understand and prepare for **succession planning**
- Undertake annual **appraisals** – individual and collective; use external support from time to time
- Focus on **competencies** as well as **skills**; have an up to date **skills matrix** which links to succession planning and is forward-looking
- Lead on and drive **VFM**
- Understand and manage **risk**
- Exercise appropriate **controls**
- Have the right **support** in place (Company Secretary role is crucial; also admin/IT support)



How do you know?



- Self-reflective culture
- Annual self-assessments against Code of Governance and RSH's Governance and Financial Viability Standard
- Annual assessment of effectiveness – approach and method
- Annual summary of appraisal outcomes
- Collective verbal review of meeting effectiveness at end of each meeting
- Triennial governance review

And then....

- **Learning** from reviews/appraisals – what are they telling you?
- Creating and monitoring delivery of an **action plan**
- Constant focus on **governance improvement and learning**
- **Training and development** (individual and collective)



Diversity?



Protected characteristics:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation

Your particular characteristics:

- Organisational heritage
- Customers
- Staff



Diversity of thought:

- Political beliefs
- Religious beliefs
- Values/morals
- Risk averse or risk hungry
- Traditional or innovative
- Ability to challenge status quo – curious
- Wide cultural/travel experience – more entrepreneurial
- Actively open minded – open to diverse ideas
- Disruption (*AI, half of jobs of future yet to be invented, people will have dozens of jobs over lifetime*) – those with willingness to question and ‘reinvent’ will be most successful



Why does it matter?



- Housing sector already more diverse than many others – but there's more to do
- 6.8% of board members identify as BAME
- 4.5% of executives identify as BAME
- Women make up 36% of board members
- Two thirds of housing associations are led by male CEOs (who are often also on the board)
- 4.5% of board members have a disability
- 10.7% of board members are tenants
- Situation really hasn't changed much in last 3 years

Source: Inside Housing



- Understand your customers better
- Diverse groups perform better – *“people like to fit in, so they are cautious about sticking their necks out. When we have a strong, homogeneous culture, we stifle the natural cognitive diversity in the group through the pressure to conform.”* (Harvard Business Review)
- Diverse teams make decisions 60% faster than non-diverse ones (2013 report by Deloitte)
- Encourages greater innovation and creativity – US public companies with a diverse board have a 95% higher return on equity than those with non-diverse board (McKinsey study)
- Easier to attract and retain
- Boost your brand



How to go about it



What is it you're looking for?

- Statement of preferred composition

Remuneration

- Do you pay non-executives? If not, do you need to consider it?

Attracting diverse applicants

- Targeted adverts, social media, word of mouth, adviser
- Be clear what's in it for them as well as the commitment
- Role description
- Review when/how you meet – inclusive?
- Cover expenses/care costs
- Mentoring/buddying and commitment to T&D
- Informal chat



- Be clear on **what you want** - create a longlist or shortlist (depending on your recruitment process)
- **Pay attention** to the equalities monitoring form, but also what they say about themselves in their covering statement
- Consider some kind of **psychometric testing** - this can really help bring different kinds of 'thinkers' to your board
- Get your **interview panel** right – what does it say about your diversity?
- **Ask the right questions** – think about what you're looking for and how to draw out not only the kind of diversity you seek, but also that critical issue about whether they will make a good non-executive (or not!)
- Think about **'fit'** with current board, and culture



What's new – current themes



- **New (draft) NHF Code of Governance (Nov 2020):**
 - *New requirements on accountability*
 - *Risk, scenarios and mitigations*
 - *Greater focus on E&D, inclusion*
 - *Residents' needs at the heart of decision-making/tenant safety*
 - *Organisational culture*
- **White Paper** – changes to consumer regulation and what this might mean for governance
- Ensuring **tenant voice** is heard in governance decisions
- Pressure to improve governance of **asset H&S**
- Board ownership and management of **risk, stress testing, mitigations** (Covid, Brexit etc.)
- Importance of the **audit committee**
- **Company Secretary** role and governance support



Thanks for listening