

Report of	Team	Job Title
Ann Lucas	Board	Chair of Board

Name of Meeting	Date of Meeting	Agenda item	Status
Consultative Panels	March 2007	n/a	Consultation

Subject of Report: Additional item for consultation

1. Synopsis

- 1.1 This report asks Consultative Panels to comment on some possible options that a staff review of governance arrangements has identified. The information will be used to help inform the Board of any changes that it might wish to make at a future date.

2. Recommendations

- 2.1 That Consultative Panels comment on:

- 2.1.1 **Options for the future of Sub-Boards;**
- 2.1.2 **The potential introduction of allowances for Board directors;**
- 2.1.3 **Reducing the size of the Board, but still having more resident directors than Council or Independent directors;**
- 2.1.4 **Changing the election procedure for resident directors.**

3. Background

- 3.1 Governance is the system by which organisations are directed and controlled by their boards of directors. It is distinct from 'management' – which can be thought of as the regular day-to-day decisions and actions required to run the business. Governance refers to the higher level processes by which managers are held to account and through which the broadest strategic decisions are taken.
- 3.2 As an organisation HFI is now in its third year of running. As with all of its activities, it is good practice for the Board to review its governance arrangements and, to this end, a comprehensive review is underway. The review acts as a "health check" on the practices adopted so far and considers whether they should be done differently to possibly deliver better ways of governing, or stay the same.
- 3.3 The governance review has identified a number of possible small administrative changes but this report only deals with some of the options directly relevant to residents.
- 3.4 HFI's governance arrangements have been benchmarked with other organisations and public bodies including ALMOs, RSLs (Housing Associations), health trusts and local organisations (for example, charitable bodies).

- 3.5 Staff have considered possible theoretical options that might be relevant to HFI. The findings of the review have been reported to a Working Group of the Board and Board has instructed staff to ensure that consultation on all these options takes place with the Panels before Board considers the review as a whole.
- 3.6 **Panel members should be clear that there are no proposals to implement any of the following options. HFI is simply seeking the views of Panels which will assist the Board in future decisions.**

4. Sub-Boards

- 4.1 The Board has previously set up two Sub-Boards – Managed Property Sub-Board (MPSB) and Contracted Services Sub-Board (CSSB).
- 4.2 The role of MPSB is to oversee the services provided directly by HFI through its Area Offices (Central Street, Holland Walk, Lyon Street and Upper Street). There are 6 main Board directors and each Area Housing Panel plus the Islington Leaseholder Forum (ILF) has a nominee on MPSB to represent residents.
- 4.3 The role of CSSB is to oversee the housing services delivered by providers other than HFI (TMO's/TMC's and Partners for Improvement in Islington). There are 6 main Board directors and the TMO/TMC Review Group, the PFI Residents Forum and ILF each have a nominee on CSSB to represent residents.
- 4.4 The Sub-Boards play a critical role in HFI's performance management arrangements. The Review generally concludes that this has worked slightly better at CSSB than it does at MPSB. At present the Sub-Boards do not have authority to decide anything without referring back to the Board. Benchmarking with other organisations has shown that delegating some authorities from the Board to Sub-Boards proves more successful.
- 4.5 The Panels are asked to comment on the following options about the Sub-Boards:

	Option	Advantages	Disadvantages
1	Abolish the Sub-Boards	<ul style="list-style-type: none"> - Saving in cost of servicing meetings. 	<ul style="list-style-type: none"> - Loss of detailed local performance scrutiny - Would lose a significant link between the Board and its Panels and decrease the options for resident involvement. - No Panel nominees as a link to main Board.

2	Leave as existing but give delegated authorities: a) Agree CSA payments to other housing management providers - Partners / TMOs b) Decide on any local funding as delegated by Board e.g. Community Engagement c) Agree the annual Community Safety Budget rather than IDC d) Arbitrate in TMO disputes and make recommendation to LBI on termination notices e) Arbitrate on petitions presented by Panels	<ul style="list-style-type: none"> - Would allow the Sub-Boards to potentially be more effective. - Number of Panel nominees stays the same. 	<ul style="list-style-type: none"> - Risk that this is a superficial change and not address the weaknesses identified.
3	Merge into one Sub-Board with delegated authorities as at 2.	<ul style="list-style-type: none"> - Would allow for consistency in performance management. - Allow focus across all the borough and make it easier to compare all housing management providers. 	<ul style="list-style-type: none"> - ILF loses one Panel nominee. All others remain.

5 Allowances for Resident and Independent Board directors

- 5.1 In October 2005 the Department for Communities and Local Government (DCLG) issued advice to all ALMO's advising them to consider paying allowances to Board directors in the interest of improving governance. The possible benefits DCLG has indicated that introducing allowances might bring are to:
- o Improve governance quality both individually and collectively
 - o Ensure recruitment and retention of good Board members, and to help in succession planning
 - o Increase the minimum competency level required by Directors
 - o Recognise the skill and experience bought by Directors to Board and their commitment in terms of time given and expertise shared
- 5.2 At that time HFI had only been in operation for 18 months, and the Board felt it was inappropriate to consider allowances while HFI was still such a new organisation. Any current review of governance would be incomplete without now considering the suitability of allowance as previously advised as part of the "health check".
- 5.3 DCLG is following the example of the Housing Corporation which allows Housing Associations to pay their directors. Benchmarking has shown that many RSLs, plus a whole range of other public bodies including health trusts, charities, government bodies and agencies, now give allowances to their Board directors. In the ALMO sector, CityWest Homes pays its Chair and Gateshead Housing Company and

Berneslai Homes have given in principle agreement to pay allowances to their Board directors.

- 5.4 HFI has made a great deal of progress since going “live” in April 2004. It is now rated by the Audit Commission as “2 stars with excellent prospects for improvement” and resident satisfaction has improved year on year to its current level of 64%. A key driver behind the improvement in housing management services, Decent Homes work and the general success of HFI is the time and effort put in by the Board of directors.
- 5.5 The time commitment expected of Board directors is much greater than was first thought when HFI was set-up. In 2006/07 the Board and its Committees will have held approximately 70 meetings. This does not include ambassadorial work in visiting estates, attending conferences, etc. In addition, many directors are actively engaged in the local community. Directors (especially resident directors) have an important role in providing a link between HFI and the residents of the Borough, which cannot always be provided by the organisation’s executive and staff.
- 5.6 It is arguable that payment of allowances to Board directors would:
- Reward directors the extra work they have taken on;
 - Help increase the accountability of all directors and in doing so help to provide an increased service to the residents of Islington;
 - Allow for added responsibilities to be recognised (as any remuneration scheme for salaried workers would do);
 - Encourage people from a wider range of background and experience to come forward;
 - Enable directors to be held to account for the quality of their contribution through clear job descriptions and regular appraisals,
- 5.7 The guidance provided by DCLG in October 2005 provided evidence from the Housing Association sector stating that where payments are being made, the majority of chairs receive up to £10,000 per year. Other Board members are typically paid around 40-50%% of the sum paid to the chair.
- 5.8 In addition The National Housing Federation’s publication “To pay or not to pay” included a schedule of fees paid to Board members of public bodies. It used annual turnover as the basis for setting indicative pay levels for Boards. On this basis the appropriate level of allowances for an organisation on HFI’s turnover would be £5000 for directors and £12,500 for the Chair.
- 5.9 If HFI was to consider allowances, a possible model is that Resident and Independent Directors should receive an allowance with Chairs of Committees and the Chair of the Board receiving a higher allowance to reflect the greater level of responsibility (and commitment of time) required. Potential amounts might be:

Position	Allowance (Gross)
Board Director	£5000
Chairs of Committee/Sub-board/Vice-chair	£6000
Chair of the Board	£8000

6. The size of the Board

- 6.1 The current size and make-up of the Board was decided on through a variety of factors. The guidance from central government was to have 5 Council members, 5 Independents and 5 residents. However, it was decided that 7 residents, should sit on the Board and Shadow directors were sought from each of the then area panels and the ILF. The government also requires that no one constituent part of the Board has an overall majority (e.g. there can't be 9 Council members).
- 6.2 In the public sector there is significant evidence to support the view that the optimum size of a Board is about 9 -12. This has been comprehensively researched in the last few years. For example the Charity Commission surveyed over 1,400 charities of which 92% had Boards of 15 or less. This is small enough to be nimble and allow effective decision making by involving all the Board. A Board of this size can usually bring together the right skills for good governance and not place too much of a burden on individual board directors.
- 6.3 Any model for the size of the Board would keep more resident directors than Council directors or Independent directors so the focus on residents would not be lost. So for example if the Board size was 11 then there would be 5 resident directors, 3 Council directors and 3 Independent directors (a drop of 2 each).
- 6.4 Panels are asked to comment on having a smaller Board than is currently in place:

Reasons for a smaller Board	Reasons for a larger Board
1) Best practice All guides to good governance in the voluntary sector published in the last decade advise a smaller Board.	1) Stakeholders Some organisations need large Boards to allow stakeholders interests to be represented.
2) Evidence Experience in many settings has shown that large boards are generally less effective. Once numbers rise much above 12 - 15, discussion and debate becomes more difficult.	2) Experience A large Board can ensure that the right balance of skills and experience needed is present.
3) Loss of authority An inner caucus can emerge that takes the key decisions and presents them to the board for ratification. This leaves the board with responsibility but not power and is generally ineffectual.	3) May assist with issues of diversity.
4) Benchmarking Results from a Charity Commission survey showed that about 92% of the respondents had boards with 15 or less trustees.	
5) Decision making A larger board tends to become more of an information receiving body than fulfilling the decision making role.	

7. Resident elections to the Board

7.1 The current rules for resident election to the Board state that half of the Board is elected every two years by half the borough. In 2005 the “north” of the borough (residents in the Holland Walk, Boleyn Road and Isledon Road areas) elected 3 directors and in 2007 the south will elect 4 directors and so on. The elections were staggered in this manner to ensure that the Board did not lose all 7 residents at the same time.

7.2 It is considered good practice to ensure that there is no significant loss of expertise to the Board. Therefore it is not proposed to change the principle of staggered elections so that not all the resident director places have to stand for election at the same time. However, the governance review has considered options that allow moving towards a borough-wide election every two years.

7.3 Panels are asked to comment on the following options:

	Option	Advantages	Disadvantages
1	<p>Leave as existing –</p> <p>Candidates – One of two electoral areas</p> <p>Voting – half the borough</p> <p>Timescale – 2 years</p>	<p>1) The election process has only run once and worked well. It should not be necessary to change a process after only one successful attempt – “If it isn’t broke don’t fix it”.</p> <p>2) No added cost</p> <p>3) No potential risk in depriving the Board of expertise</p> <p>4) Ensures representation from at least two different areas of the borough</p>	<p>1) Only half the borough eligible to stand so could lead to under-representation.</p> <p>2) Can be difficult to advertise in the local press given as only relevant to half the borough</p>
2	<p>Change to –</p> <p>Candidates – borough-wide</p> <p>Voting – borough-wide</p> <p>Timescale – 2 years</p>	<p>1) Whole borough so potentially more candidates</p> <p>2) Easier to communicate with residents via local advertisement.</p>	<p>1) Double the cost of the present system.</p> <p>2) Could lead to voter fatigue amongst residents</p> <p>3) Could possibly minimise representation as all residents could come from the same neighbourhood.</p>
3	<p>Change to –</p>	<p>1) No added cost</p>	<p>1) Can be difficult to advertise in local</p>

	<p>Candidates – borough-wide</p> <p>Voting – one of two electoral areas</p> <p>Timescale – 2 years</p>	<p>2) No potential risk of depriving the Board of expertise</p> <p>3) Whole borough so potentially more candidates and better opportunities for diversity.</p>	<p>press as only half the borough eligible to vote</p> <p>2) Could possibly minimise representation as all residents could come from the same neighbourhood</p>
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