

ALMO Governance: The inside track

2016 Board Governance Survey – Summary findings



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The NFA would like to thank all of their members who completed the survey. This has enabled us to share information on ALMO governance arrangements to the wider housing sector and identify good practice examples in achieving board excellence.

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Cover photograph: elkor/istockphoto.com
Photograph page 7: mpavlov /dreamstime.com

Published by:

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Whilst all reasonable care and attention has been taken in compiling this publication, the authors, publishers and editorial team regret they cannot assume responsibility for any error or omission that it contains.

Introduction

Arms-Length Management Organisations (ALMOs) now manage over 500,000 homes in England, nearly a third of all council housing.¹ There are 37 ALMOs operating in 40 local authorities who deliver a range of housing services and play a key role in improving the quality of life in some of the most challenging towns and cities across the country. The board of an ALMO, its composition and its evaluation of performance is central to this. Since 2002, ALMOs have made significant contributions to effective housing management and active tenant involvement. This publication focuses on governance because it is interconnected with an organisation's capacity to deliver efficient and effective services.

An ALMO is managed by a board of directors which includes tenants, local authority nominees and independent members with relevant experience of social housing, regeneration, social cohesion, finance and other ALMO responsibilities. As wholly owned local authority companies they are governed by their Memorandum and Association of Articles, which together forms its constitution. The Royal Borough of Kensington and Chelsea Tenant Management Organisation is a 100% owned by its members who are their tenants and leaseholders and have been granted ALMO powers. Our members are usually established as companies limited by guarantee under the Companies Act 2006, but do not trade for profit, issue share capital or pay dividends.² The relationship between ALMOs and their parent council/s is defined in a management agreement, which covers all areas of the landlord business and sets out the obligations of each party. The board has a primary responsibility for governance within the organisation and the development of the company's strategic vision. It also has constitutional and legal duties under the Articles and Association and the Memorandum of Association.

The National Federation of ALMOs is the umbrella trade body that represents all ALMOs across England. In order to continue to promote good practice we carried out a survey in August 2016 to identify the nature of members' governance arrangements and the strategies they adopt to ensure they deliver effective and efficient housing management services.

The key findings are structured into six main sections:

- **PART ONE: ALMO Board Governance**
- **PART TWO: Recruitment Methods and Motivation**
- **PART THREE: Payment Methods for Chairs and Board Members**
- **PART FOUR: Skills, Training and Development**
- **PART FIVE: Diversity and Representation**
- **PART SIX: Board Evaluation**

¹ This is a third of 1.64m council dwellings in England – the most recent local authority statistics made available by the Department for Communities and Local Government. See DCLG (2016) Local Authority Statistics. Year Ending March 2015, England for more detail. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/493559/Local_Authority_Housing_Statistics__England__year_ending_March_2015.pdf

² U.K. Parliament (2006) Companies Act 2006. Available at: <http://www.legislation.gov.uk/ukpga/2006/46/contents>

Key findings

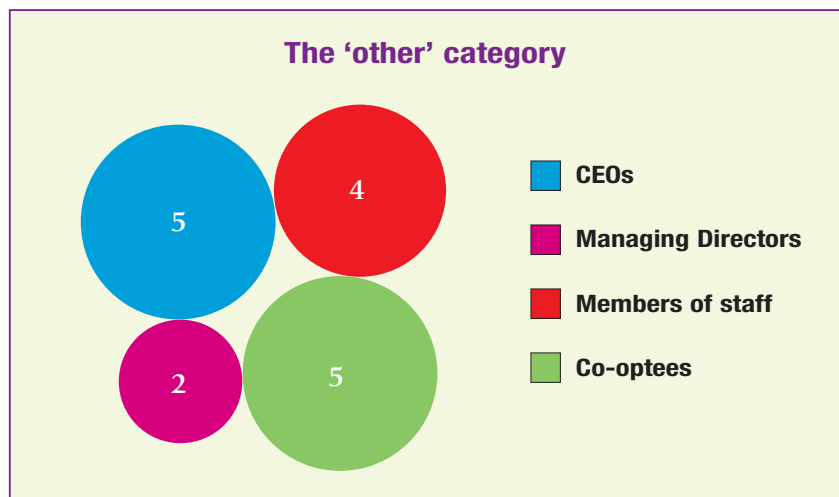
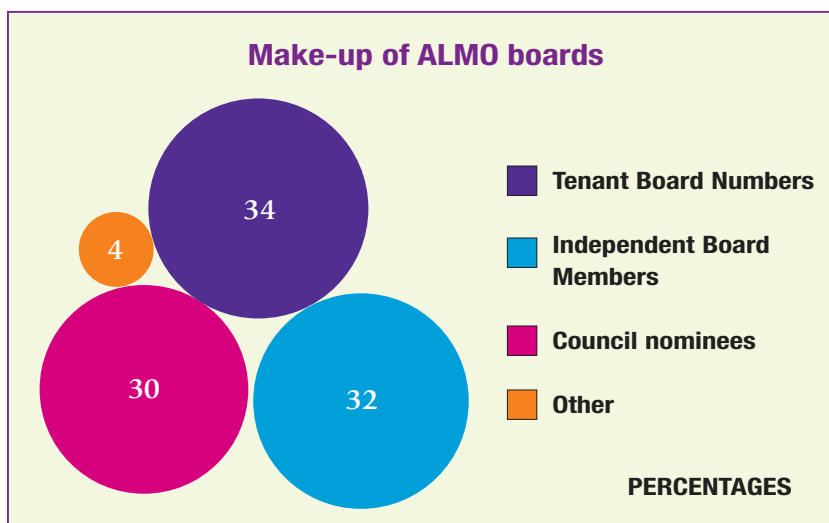
- **Overall, across all organisations, residents, independents, councillors/council nominees are still equally represented, comprising of a third each.**
- **More than half of our members provide their board chair with a salary whilst 38% remunerate board members.**
- **Of those who pay board members only one member reports difficulties recruiting individuals to the board. Whilst for those who do not pay their board members 61% report difficulties recruiting members to the board.**
- **84% of ALMOs demonstrate that 100% of their board have participated in training relevant to their role.**
- **The sector values board diversity with women making up 42% of ALMO boards and the majority encouraging under-represented groups onto their board as well as other formal engagement structures.**
- **All organisations evaluate the performance of individual board members and the overall board.**

PART ONE: ALMO Board Governance

The board’s role is key in establishing the organisation’s policies, making significant strategic decisions and scrutinising and evaluating its affairs. It is the primary duty of each board to ensure good governance. Effective and efficient systems of governance are essential for ALMOs to continue to provide high quality housing services despite the many challenges that lie ahead.

Make-up of Boards

An ALMO is managed by a board of directors which is made up of independents, councillors/council nominees and tenants with relevant experience and skills. These constituent groups are then balanced so that no single group is in the majority. This enables tenants to become directly involved in the management of their homes and be a part of the decision-making process. ALMOs have continued with the ‘traditional’ board set-up, consisting of a mostly equal number of independents, tenants and councillor/council nominees on their board.



The “other” category represents chief executive officers (CEO), executive officers, members of staff and/or co-optees who also serve on an ALMO board. Four organisations (Brent Housing Partnership, Newark and Sherwood Homes, Northwards Housing and Nottingham City Homes) co-opt board members as a strategy to ensure knowledge and experience is maintained across the board. Having co-optees is an example of good practice as it allows boards to bring in people with specific skills, competencies,

experience and/or knowledge. For example Northwards Housing have a co-opted lawyer on their board to assist in legal matters and to provide an understanding of revised legislation. It can also assist with succession planning and developing a “pool” of suitably skilled and experienced people to consider as future board members. The Companies Act (2006) allows for a maximum of three co-optees to be appointed by the board on terms that each board considers appropriate.

Barnet Homes, CityWest Homes, Homes in Sedgemoor, Six Town Housing and St Leger Homes have their chief executives on their board in an official capacity. Some have their CEOs on the board because this was how the board was initially set up whereas in other cases it is a shift from the CEO being involved in an informal capacity. In the example of St Leger Homes, their CEO initially attended board meetings in an informal capacity until 2014 when their Memorandum and Articles were amended to include the CEO as a fully-fledged board member. This was at the suggestion of the board chair, based on his experience as chair in other sectors (i.e. the NHS). Having the CEO as

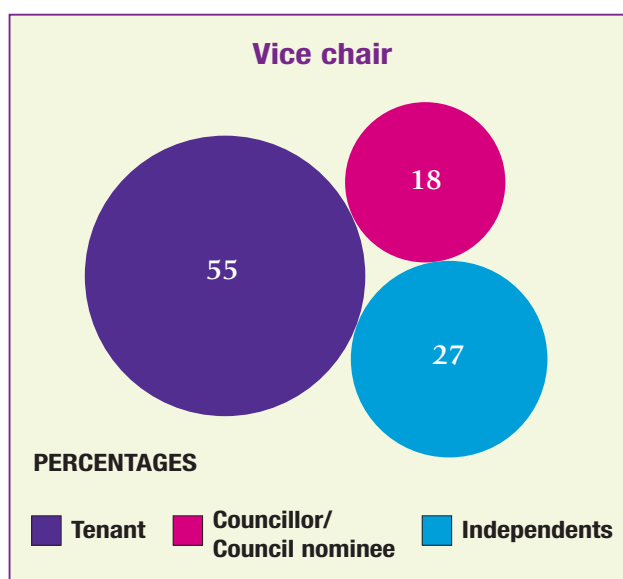
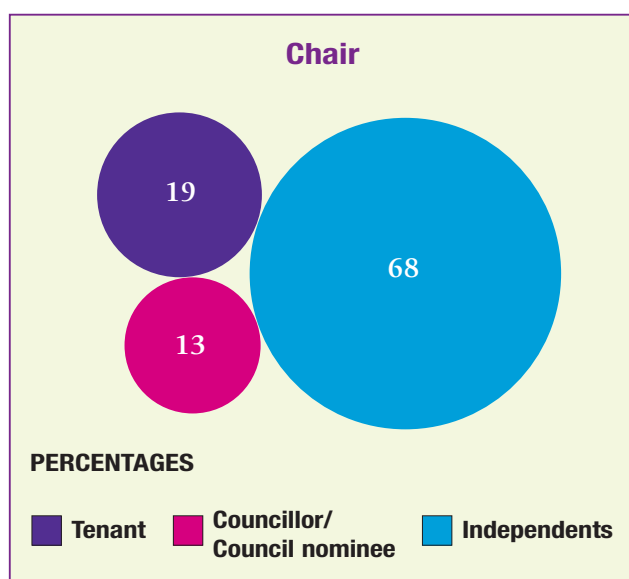
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an official board member was considered by the board as a way to increase the CEO's accountability for the decisions made. It is also thought by members to encourage more joint decision-making than when officers answer or advise the board in an informal capacity. Barnet Homes, CityWest Homes and Homes in Sedgemoor give voting rights to their chief executive. Stockport Homes introduced a new 'stakeholder' constituency group in 2015. At present, this constituency consists of two councillors and one local resident who is the chief executive of a national housing trade body. A stakeholder is someone other than a tenant who will have an interest in or connection to Stockport Homes, perhaps through involvement with one of its partners or by being a non-tenant who lives in a neighbourhood managed by Stockport Homes. The stakeholder board members have the same voting rights as their counterparts (i.e. tenants and independents).

The recently appointed Prime Minister, Theresa May, has been quoted to be in favour of employee representation on boards similar to the German and French corporate governance system where employees are typically legally mandated to be on company supervisory boards (The Independent, 2016).³ It is considered as good practice in corporate governance as it is (1) a way to protect and encourage investment in employees; (2) has a positive impact on the organisation's performance by making the board aware of the prevailing sentiments of the workforce and thus inform company policy and; (3) increasing motivation among employees by giving them a voice in how the company is managed, making them feel valued. Five members (14%) adopt this approach: Cornwall Housing, Homes in Sedgemoor, Northampton Partnership Homes, Shropshire Towns and Rural Housing and Wigan and Leigh Homes. Both Cornwall Housing and Homes in Sedgemoor have their managing directors on the board with Homes in Sedgemoor giving their executive officer voting rights. Northampton Partnership Homes have two members of staff serving on their board and Shropshire Town and Rural Housing and Wigan and Leigh Homes have one member of staff, all having voting rights. Members of staff reach the board via a recruitment process where the board vacancy is advertised to non-senior staff within the organisation. These board mechanisms take into account that various interested parties (i.e. tenants, local authority representatives and employees) have differing interests and allow for these interests to be properly and formally represented. It is also important to note that when there is a conflict of interest for any board member they voluntarily excuse themselves from the discussions and the decision-making process or on the rare occasion are excused by the chair.

Tenants are more likely to carry out the vice chair position than the chair position. The charts below show that more than two thirds of chairs are independents, 19% are tenants and 13% are councillors/council nominees. In contrast, there are more tenant vice chairs than the other constituent groups.



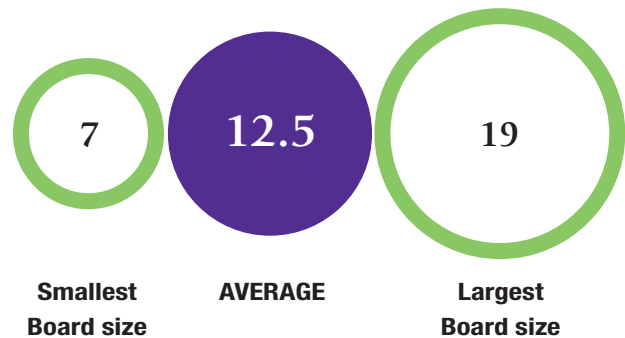
Please note: Berneslai Homes, CityWest Homes, Stockport Homes and Tower Hamlets Homes do not appoint Vice Chairs, therefore the percentages within the vice chair category are out of a total 33. In addition, Colchester Borough Homes have two joint vice chairs and Homes in Sedgemoor are currently in the process of appointing a vice chair.

³ Baker, S. (2016) Theresa May's plan to put workers on boards is borrowed from Germany and France. The Independent [independent.co.uk] Available at: <http://www.independent.co.uk/news/business/news/theresa-may-board-corporate-plan-germany-france-productivity-economics-a7132221.html>

Board Size

The most common board size among our members is 12 (9 organisations) and then 15 (8), with the average across the sector being 12.5. There is no universal agreement on the optimum size of a board. The NHF Code of Governance⁴ advises housing associations that “boards should have at least five members, and no more than twelve”. Whereas, the UK Corporate Governance Code,⁵ which is generally referred to within the financial sector, leaves this judgement at the discretion of the governing bodies.

There are a number of reasons why boards require larger or smaller boards compared to the average at certain times i.e. a short-term measure post-merger, succession planning and the diverse nature of services provided. Nineteen percent (7) have increased (5) or reduced (2) the size of their board in the last twelve months. For the majority this decision was made due to internal and/or external governance reviews.



Therefore, the board size should not necessarily be considered as a measure of effectiveness. It is more important for organisations to evaluate functions of the board and board members’ competencies and performance to ensure that the board practices and arrangements are effective and improved over time.

Make-up of Sub-committee Boards

The board is supported by sub-committees whose responsibilities and delegated powers are laid out in the terms of reference. A sub-committee is relatively smaller than the main board and tends to focus on a particular task or area. However, they operate in a similar manner to the board in that they are made up of councillors/council nominees, tenants and independents board members and a chair is appointed for each committee. The UK Corporate Governance Code requires a board to have three committees: audit, remuneration and nominations. On the other hand, while NHF’s Code of Governance refers to these committees, it is not specific on which committees each organisation should have. It is ultimately up to the individual company which sub-committees they want to establish and the nature of powers and tasks they wish to delegate. All organisations determine the nature and number of their committees based on the organisation’s needs, which reflects the complexity and diversity of their services. Task and finish groups and panels are also used on an ‘as needed’ basis. They are usually used for a specific purpose for a limited time and disbanded thereafter. They comprise of experts in specified areas of knowledge or practice to provide guidance and recommendations on specific topics. For instance, Cheltenham Borough Homes set up task and finish groups of board members for single topics as required and Colchester Borough Homes have a business opportunities panel.



4 National Housing Federation (2015) NHF Code of Governance -Promoting Board Excellence for Housing Associations. Available at: <http://s3-eu-west-1.amazonaws.com/pub.housing.org.uk/CodeGov2015-FINAL.pdf>

5 Financial Reporting Council (2014) The UK Corporate Governance Code. Available at: <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

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The most common types of sub-committees are audit, risk, finance, performance, remuneration and HR in descending order. Others include health and safety, equality and diversity, customer services, governance, employment and policy and strategy. Those that do not have a remuneration committee (26) place any matters concerning this area under the remit of their finance and/or audit committee. Eighty one percent (30) have between two and five subcommittees except for three organisations which have one and another has seven. Each committee has written terms of reference agreed by the board and are kept under regular review.

The average number of committee members is five with individual averages ranging from two to eight. This is considerably lower than the average board size of 12.5 for the main board. Nine organisations have an equal number of members on each sub-committee. Wigan and Leigh Homes also have co-optees on their sub-committees.

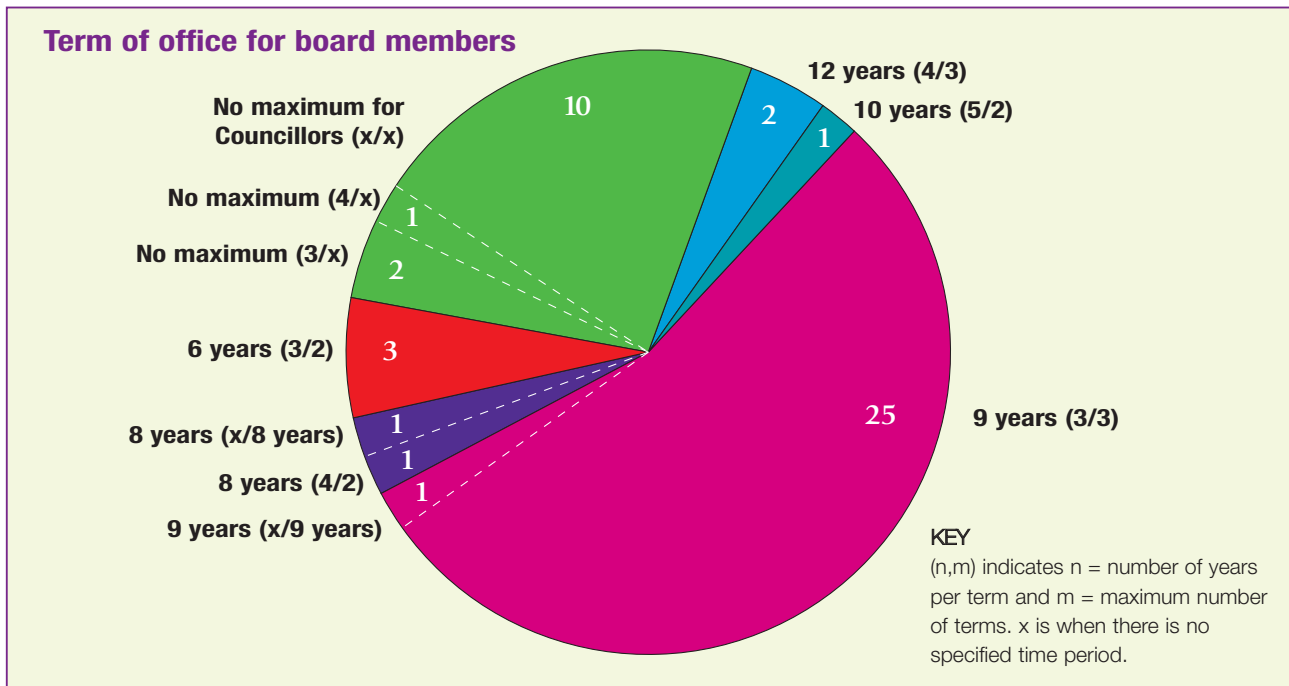
Board committees play an important role in the governance process and allow the main board to focus on the most strategically important issues. It is useful to periodically review the structure and functions of the committees and to ensure that everyone knows what to expect from them.



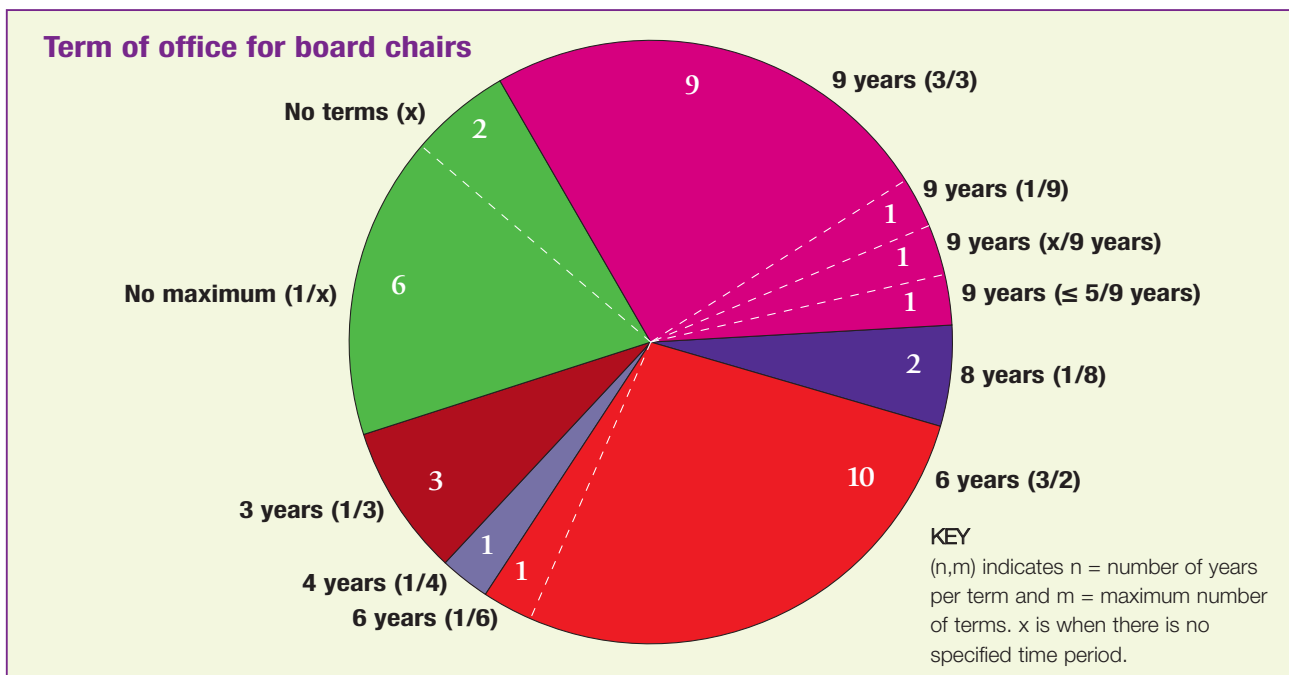
Terms of Office

The Articles of Association are agreed with parent council/s and stipulate the terms of office for respective board members. Both a Memorandum of Association and the Articles of Association are a requirement for a company set up under the Companies Act. The Memorandum of Association is the legal document which sets up the company and the Articles of Association set out how the company is run, governed and owned.

It is the Articles of Association that set out the responsibilities and powers of the directors and the means by which the members exert control over the board. The Association's rules permit members to be elected for a number of years expiring at the conclusion of an Annual General Meeting. An overwhelming majority of our members have terms of three years or more for residents (95%) with the majority (70%) opting for three year terms; just two organisations have varying term lengths of between two and three years. The reason for three year terms being most common could be because a single or two year term is considered as too short a term for a board member to make a significant contribution. It could also be to avoid having to recruit and hold elections too frequently i.e. annually/biannually. Longer term limits also allow an organisation to reap the benefits of board members' mature judgement and extensive knowledge of the organisation's services, history and ethos which they learn and develop over time. At the end of the term board members must retire and seek re-election or resign if they have reached their maximum number of terms. Twenty five organisations (68%) expire a board member's involvement after three terms allowing for a maximum of nine years of board involvement. From time to time the board has the power to agree policies on the maximum terms of office. Having term limits ensures that the board is renewed, reviewed and selected on a systematic and continuous basis, thus avoiding more substantial changes at infrequent intervals and staggered board rotation.



Thirty eight percent (14) have different terms of office for different representative groups. For the most part this is to allow for different term lengths for councillor/council nominee board members. The majority (10 out of 14) do not define any term limits for this constituent group whereas three organisations require shorter term-lengths of one-year for councillor/council nominees compared to their counterparts. This grants the parent local authority control over the period of time their board representatives serve on the board whilst still being subject to annual reviews/appraisals.

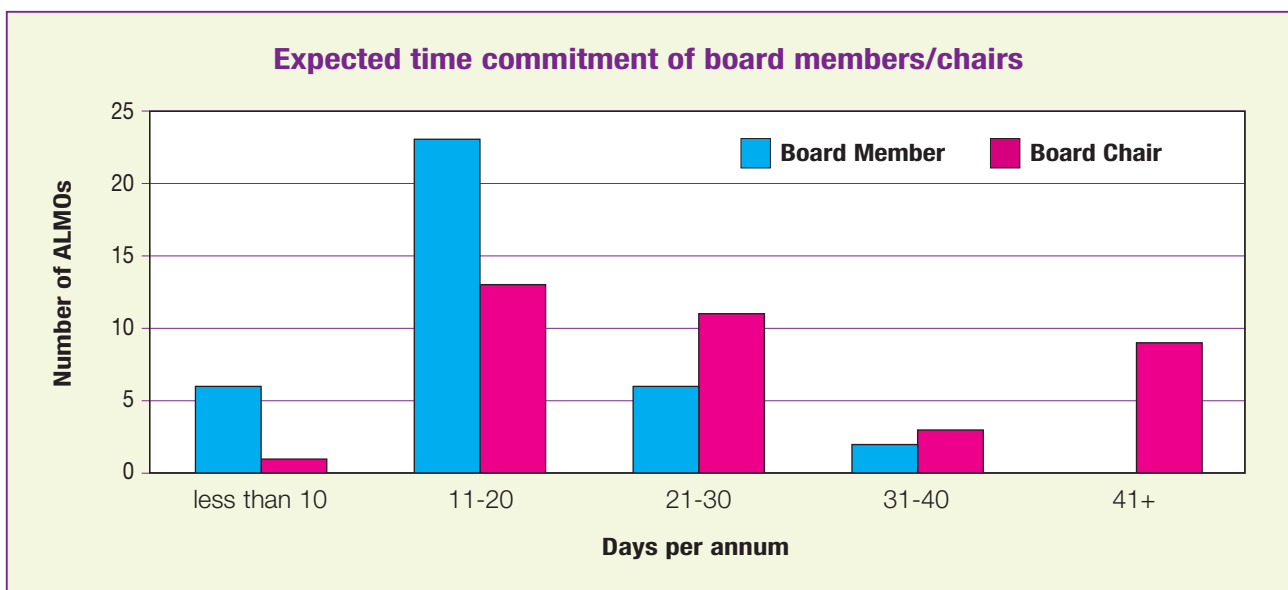


When a fixed term of office is established for a board chair the majority of organisations permit the chair to serve for a maximum of nine years (13) or six years (11). Sixteen percent (6) reappoint the chair annually but do not limit the time they can serve on the board. Four organisations have one-year terms for their vice chair whilst the chair is given three-year terms. In contrast, for Nottingham City Homes the terms of their vice chair is set at the discretion of the board, although they have traditionally implemented one-year terms. Three organisations do not require a maximum length of office for their vice chairs but do for their board chairs.

The NHF Code and the UK Code of Governance recommend that the maximum tenure for all non-executives must in total be nine years or fewer. The UK Code elaborates on this by advocating board members serving any term beyond six years should be subject to a particular rigorous review and take into account the need for progressive refreshing of the board. Although, only a minority (3) exceed the recommended nine years, it is important to note that arms-length management companies are unique in their structure and how they are set up. Therefore it is to be expected that their terms of office should vary according to local circumstances.

Time Commitment

The minimum expected time commitments reported for board members are manifold and range from 6 to 100 days per annum. The chart below provides more information.

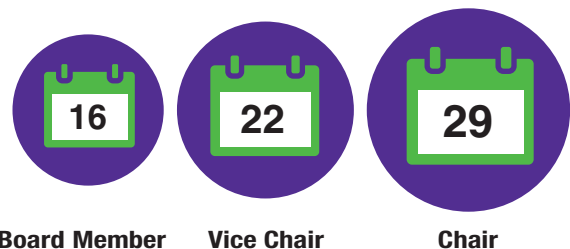


As you would expect, the average minimum time commitment increases in line with the seniority of the board position. Both Codes of Governance (NHF and UK) advise that the time commitment should be set out in the letter of appointment or within the contract. However, it is worth noting that the actual time spent on board business is often more than 'contractually' identified.

There is a consensus across the ALMO sector that resident board members generally commit more time to their board duties as they tend to be more actively involved in tenant engagement events. In the majority of cases the vice chair is expected to make a time commitment similar to the chair. The exceptions to this are Colchester Borough Homes which has two joint vice chairs and St Leger Homes where the vice chair retains the terms and conditions of a board member.

Expected minimum time commitment

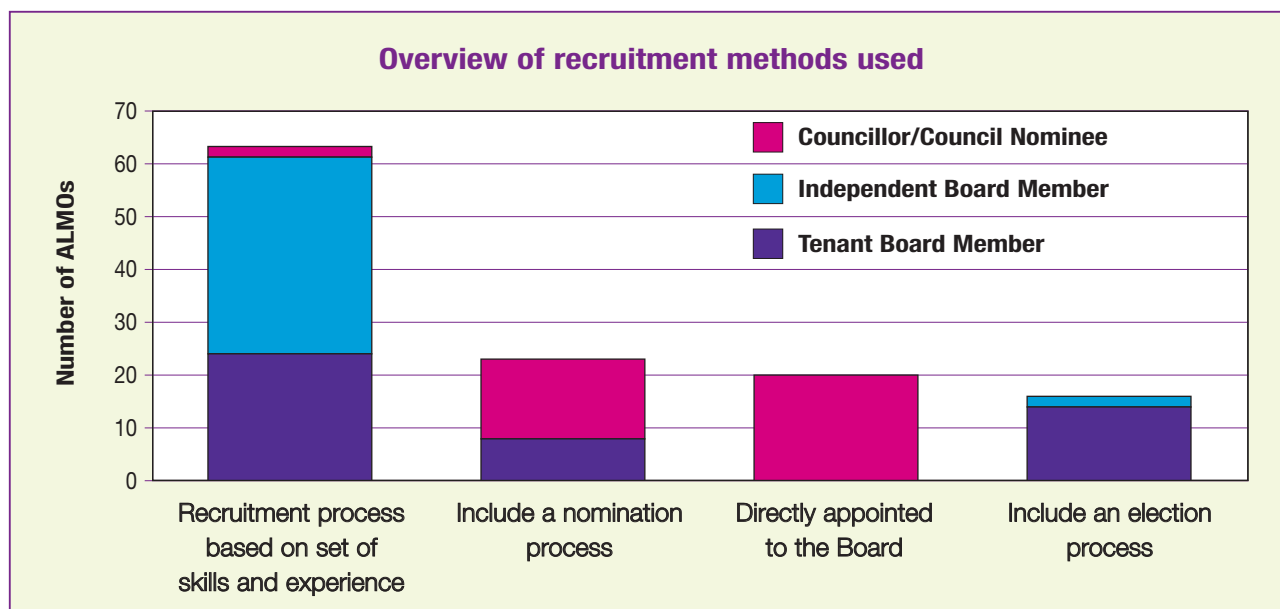
AVERAGE NUMBER OF DAYS PER ANNUM



PART TWO: Recruitment Methods and Motivation

The manner in which board members are recruited to the board is specified in the Articles of Association which can be reviewed and changed by ALMOs where appropriate.

All ALMOs treat the process as they would a job vacancy with formal advertisement, application and interview when recruiting independents and mostly for tenant board members (24). A1 Housing and Welwyn Hatfield Community Housing Trust also require independent board members to go through an election process. Thirty five percent (14) use elections for resident board members where candidates have to be nominated by themselves, other board members or put forward from existing tenant involvement/participation structures i.e. tenant associations, federations and forums. Councillors/council nominees are either appointed or nominated by the parent council or the executive mayor (96%). On the other hand, Berneslai Homes recruit local authority representatives via a recruitment process similar to resident and independent constituent groups. Similarly, Stockport Homes recruited the two councillors within their ‘stakeholder’ constituency group via an advertising and interview process.



Note: The recruitment methods used for tenant and independent board members will not equal to the total number of organisations (37) as 17 ALMOs use a combination of methods when recruiting board members.

The methods used during the recruitment process are critical to attracting members that share the same values and possess the relevant skills, knowledge and experience to ensure an effective and efficient board. Each time a vacancy becomes available it is a chance to invite fresh and independent thinking which can strengthen and improve governance. The various different backgrounds of the constituent groups and the manner in which they reach the board not only brings valuable skills and professional experience to the table, but also ensures that the interests and needs of the communities they serve are represented formally.

Berneslai Homes increase the diverse representation of their engagement structures and their board using a number of initiatives which target under-represented groups. These include: a board mentoring programme; upskilling tenants over time to increase the likelihood of successful applications for board member positions; holding recruitment and open events and reaching out to relevant forums during the recruitment process (i.e. Barnsley Equality Forum, Youth Forum and so on). They have found this to improve their diversity profile within their formal and informal engagement structures. In addition to this, they are also improving the skills, knowledge and confidence of their customers and facilitating community engagement by encouraging good relationships among people from different backgrounds. This helps them to identify what motivates people to get involved and understand how they can encourage diverse customers to engage with their landlord.

When recruiting residents and independent board members the following tools were identified as ways to attract applicants with the necessary skills and personal attributes to compliment the board:

- Application form with role-specific questions
- Job description and person specification
- Wider advertising to reach a larger audience i.e. social media
- Targeted advertising through specific networks relevant to the role
- A preliminary interview stage with recruitment panel or a committee

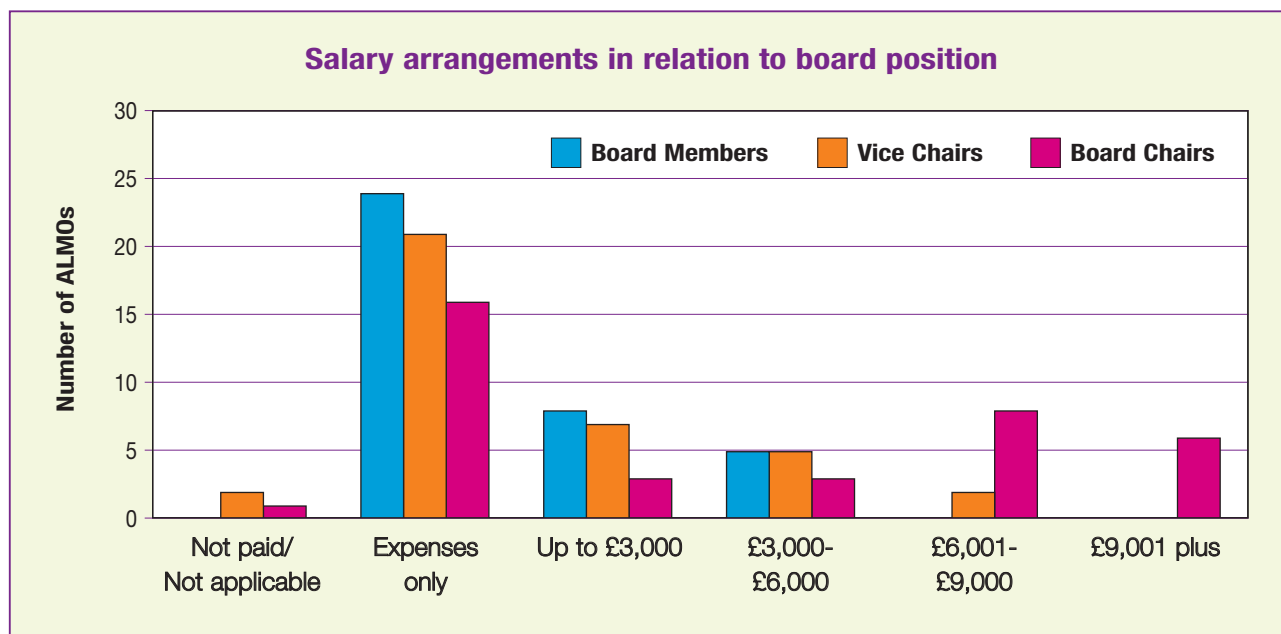
All organisations mentioned the significance of the interview process whereby shortlisted candidates meet with the board/interview panel/chair prior to being directly appointed or going to election. This stage is primarily used to match candidates' strengths, motivation and fit with the board's needs. Twenty four members (67%) also use this part of the process to assess soft skills such as communication, critical decision-making, problem-solving and ability to challenge effectively. Whereas the remaining organisations use either training centres, assessments, regular reviews or appraisals to evaluate these skills.

PART THREE: Payment Methods for Chairs and Board Members

Remuneration consists of board members receiving a salary for serving on the board. ALMOs are not obliged to remunerate board members or chairs. The NHF Code of Governance does not offer any recommendations on considerations and arrangements for setting pay. Whilst, the UK Code insists that the level of pay should reflect the time commitments and responsibilities of the role and should be designed to promote the long-term success of the company using a formal and transparent procedure.

Ten members (27%) have a remuneration policy and eleven (30%) have a remuneration committee to review pay and make recommendations to the main board. However, where there is not a specific committee which deals with remuneration it is under the remit of the finance and/or audit committee when matters concerning this area need to be considered or discussed. Sixty five percent (24) have reviewed remuneration within the last four years. Ten organisations have not carried out a review in this area for more than five years and three are yet to carry out a review.

Fourteen organisations (38%) remunerate their board members which is also the same for vice chairs whereas more organisations provide a salary for their chair, 21 (57%). Six (16%) pay councillor/council nominees the same salary as tenant and independent board members. Overall 21 (57%) ALMOs offer a salary to one or more individuals which serve on their board.



Levels of payments range from:

- £1,000 to £6,000 for councillors/council nominees
- £1,000 to £6,000 per annum for tenant board members
- £1,000 to £6,000 for independent board members- this includes one organisation which only remunerates independent board members.

In comparison, payments are much higher for chairs and vice chairs, ranging from:

- £2,000 to £15,000 for Chairs
- £1,000 to £9,000 for Vice Chairs

Average salary of board members by constituent group



In addition to payment, all ALMOs provide expenses with the majority having an expenses policy and paying travel and subsistence for attending meetings. Some offer their tenants and independent board members reasonable expenses for broadband usage, computer consumables, stationery, phone calls and dependent carers' and child care allowance.

Over the past years, board remuneration has grown within the sector, increasing more than threefold since 2010, when only 12% paid their board members.⁶ Arguably, this is because over the years the board members' role has evolved and requires a higher level of skill and capability among board members to deal with the complexities and diversity of services that ALMOs offer. Although, being a board member is a rewarding opportunity in itself it can be difficult for people to serve on a board if it is taking time away from their paid employment or other responsibilities. The challenge of recruiting and retaining appropriate board members has become more and more difficult without offering compensation or a reward for their significant contribution. Members that do remunerate their board consider it to be fundamental in their ability to attract candidates with a specific set of skills and the same values.

Having said that, the conundrum of whether to remunerate board members is not a case of one size fits all. It is important for each organisation to consider their own social, financial and company objectives when making this decision. Kirklees Neighbourhood Housing, Newark and Sherwood Homes and Welwyn Hatfield Community Housing Trust are able to remunerate their board but choose not to because they already receive interest from the 'right' individuals to fill their board vacancies and do not feel it necessary or appropriate to offer remuneration. Hence, there is no single best method and with tight reins on costs plus the changing nature of the sector we expect that our members will continue to review remuneration on a regular basis.

⁶ National Federation of ALMOs (2010) ALMO Board Member Remuneration Survey 2010. Available at: <http://www.almos.org.uk/include/getDoc.php?did=2650&fid=2704>. Please note: this survey has an 84% response rate with 57 out of a total 70 ALMOs responding to the survey at the time.

PART FOUR: Skills, Training and Development

Given the level of responsibility the board holds, it is vital that board members have the skills and abilities they need to carry out their role.

To attract people with the appropriate characteristics it is generally believed that board members should be paid for their time. At present three organisations (8%) believe that their board does not contain people with the required skills, knowledge and experience. However, they have recently introduced a remuneration policy in hope this will attract a higher number of qualified individuals with the relevant skills and expertise.

Fifteen (41%) encounter difficulties when recruiting board members with a specific set of skills and values, of these the majority do not pay their board members (93%). CityWest Homes offer remuneration yet have historically experienced difficulties in attracting a large number of applicants directly matching the identified skills and experience gaps. For the remaining 14 organisations, half identify recruiting for tenant/leaseholder board positions as the main obstacle due to the limited ‘talent pool’ of candidates available with the required skills and knowledge to fill identified gaps in skills.

Three members highlight their lack of control in appointing local authority board members as a drawback as it decreases their ability to fill vacancies with the skills needed to complement the board as a whole. Homes for Haringey is the only organisation which reports difficulties when recruiting independent board vacancies. They have had a vacant portfolio for an independent board member with communications expertise for at least six months as this is an unusually narrow remit. At present they are currently running elections for resident board members and have kept this role vacant until it is determined if they need any additional advice/specialist on the board.

Alongside the traditional desire for skills in finance, governance, asset management and for legal and housing experience the need for skills such as strategic leadership, management, marketing and communications are increasingly being recognised.

A combination of the following methods are employed by our members to fill any gaps in skills and/or knowledge identified by the board:

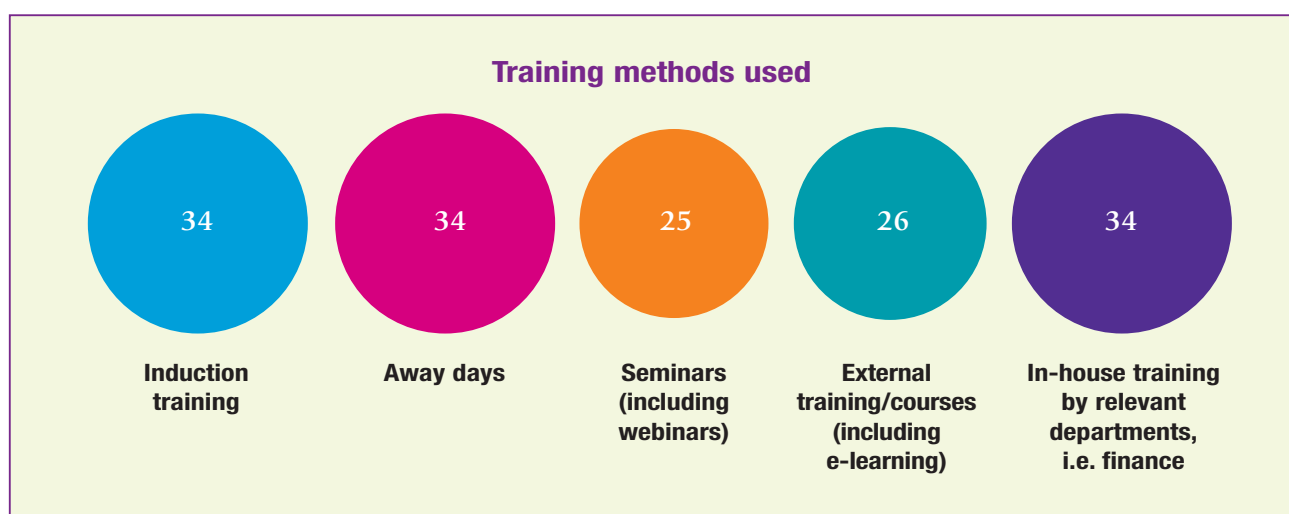
- Training for existing members (including events such as board away days)
- Support/mentoring for existing members
- Existing board vacancies
- Co-opting experts in the relevant field to the board
- Co-opting experts in the required field to sub-committees
- Consultancy services



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It is evident that the importance of training is recognised in developing the existing skills and knowledge of board members to meet the organisation's/board's needs, with all members offering training. Thirty one members (84%) demonstrated that all their board members have participated in some sort of training. Where this is not the case it was either because they have recently appointed new board members who are yet to be offered relevant training opportunities or board members that have been offered training did not feel it was necessary due to their previous board experience and their existing knowledge/expertise in the area. Our members use and offer a range of training methods to ensure that each board member can develop their existing skills and knowledge in a manner which suits them and is appropriate for their learning style. This is alongside the continued ongoing support provided to board members to assist them in their role i.e. policy briefings, a regular skills matrix to support them in addressing any skill/knowledge gaps they may experience, annual appraisals and one-to-one meetings.



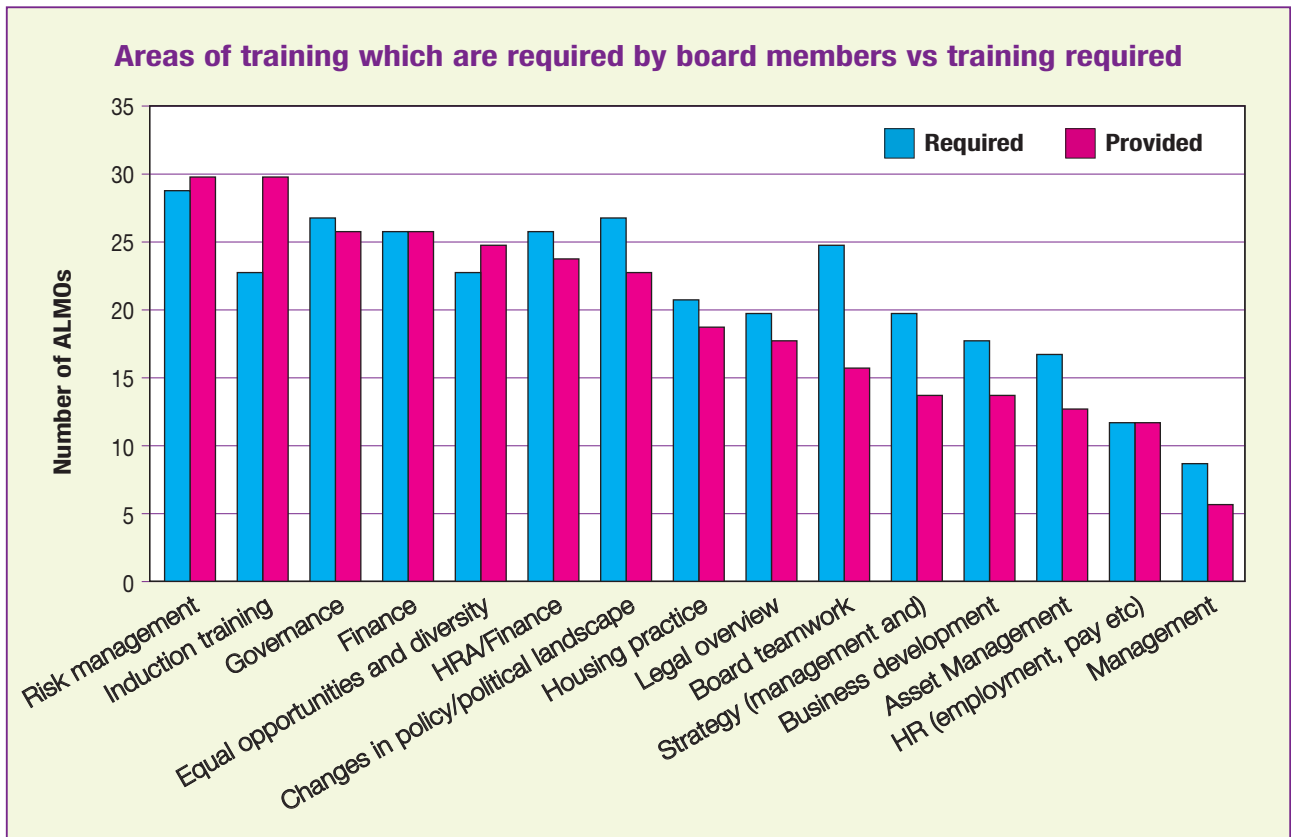
Five organisations also identify existing board members as conduits for training in their ability to mentor/coach new board members and allowing themselves to be shadowed whilst they are doing their board duties. For the most part, chairs and vice chairs are offered the same training opportunities but courses and events tend to be tailored to their specific role as chair and/or vice chair. Chairs are also encouraged to join chair networks and attend networking sessions for their own personal professional development and to raise their public profile.

Training and development of individual board members and the board as a whole is an important investment for any organisation. It is also a significant factor in turning an average board, good and a good board, exceptional. Proper training and support can make board members motivated and valued whilst giving them the tools to carry out their role efficiently and comfortably in line with organisation's values and mission. The graph on the next page shows training areas which survey respondents believe are required for board members along with the number of ALMOs who provide this type of training:

In addition to this, health and safety (2), regeneration (1), corporate manslaughter (1), homelessness (1) and refresher training are areas of training required and provided by one or two organisations.

Succession planning is also important to ensure that companies continue to run smoothly after people move on to new opportunities, retire or pass away. It is a process for identifying and developing internal people with the potential to fill vacancies as they become available. Savills UK (2015)⁷ recognised this as good governance practice in their most recent governance report. The majority of ALMOs (81%) encourage succession of board members using their advertising methods, recruitment process and development mechanisms (i.e. tenant academy/tools, skills audit/matrix etc.) as a conduit. Twenty organisations (54%) refer to succession and development plans as a specific tool used to measure the effectiveness of a board.

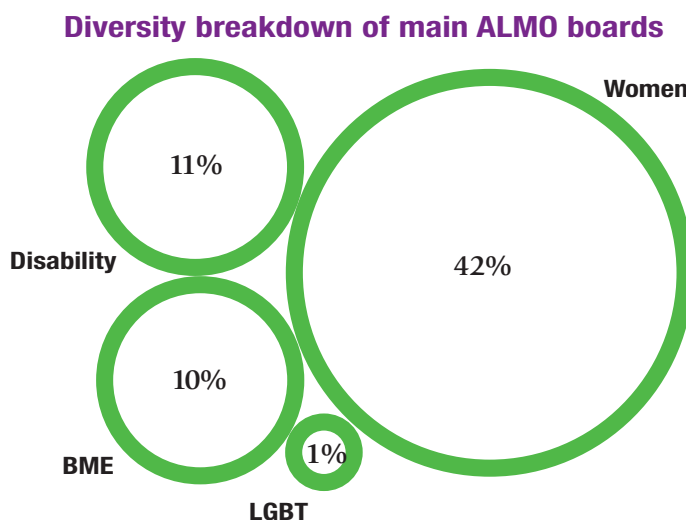
⁷ Savills (2015) Challenging Governance. Available at: <http://www.cih.org/resources/PDF/Regional%20Support/NW%20resources/Challenging%20Governance.pdf>



PART FIVE: Diversity and Representation

As organisations that manage social housing on behalf of the local authority it is essential that board members engage in supporting policy development, servicing reviews and analysing equality issues so that their organisations provide good quality services to the whole community that they serve. A focus on diversity and equality enables the organisation to build links with different communities and take into account the needs of customers from minority groups. This can be a core element of driving service improvements.

Research suggests that the housing sector tends to be more diverse and more accessible to those with disabilities, from BME backgrounds and women than most other sectors. However, our members still recognise that there is still a long way to go before they can proclaim to reflect the diverse make-up of the communities they serve. Twelve organisations (32%) believe that their boards are representative of the communities they serve attributable to the diversity strategies put in place and/or the lack of diversity across their housing customers i.e. Blackpool Coastal Housing, Brent Housing Partnership, Homes in Sedgemoor and Shropshire Towns and Rural Housing.⁸



Nearly half of our members (18) found difficulties in recruiting individuals from diverse backgrounds for board roles. This is due to the following main reasons: the lack of interest from minority groups, difficulties in reaching hard to reach groups and the inability to appoint candidates because of the nature of the recruitment process i.e. election.

Six Town Housing, Stockport Homes and Tower Hamlets Homes have signed up to the leading diversity by 2020 challenge set up by the Chartered Institute of Housing.⁹ The CIH presidential commission on leadership and diversity aims to improve the diversity of leaders within the housing sector. Those that sign up to the challenge are given ten challenges which they are expected to deliver by 2020. The three ALMOs which have signed up to the challenge have found that adopting this approach and incorporating it into their equality and diversity strategies has been central to their ability in attracting a wider pool of applicants from diverse professional backgrounds and from less represented backgrounds i.e. younger people, BMEs and so on. Six Town Housing now have a board member which is not from a public sector background and Stockport Homes is expecting an improved diversity profile in their next round of recruitment, which will see three new appointments to be made to its board.

More than one in three organisations have a female board chair, 11 (30%), and 13 (35%) have female vice chairs. Two (5%) have chairs from a black and minority ethnic background and the same number of members have a chair with a disability. Those with a disability are represented more within vice chair positions as five members have vice chairs with a disability whereas the number of BME vice chairs remains at two.

Sixty five percent of ALMOs (24) have board chairs which are not representative of any minority groups (women, BME, LGBT, disability). In addition, the average age for boards across the ALMO sector is 55 with Brent Housing Partnership, Colchester Borough Homes, Derby Homes, Lewisham Homes and Wolverhampton Homes having one board member (aged 30 and under). Therefore, a typical board is still chaired by a white British male aged between 50 and 59 years.

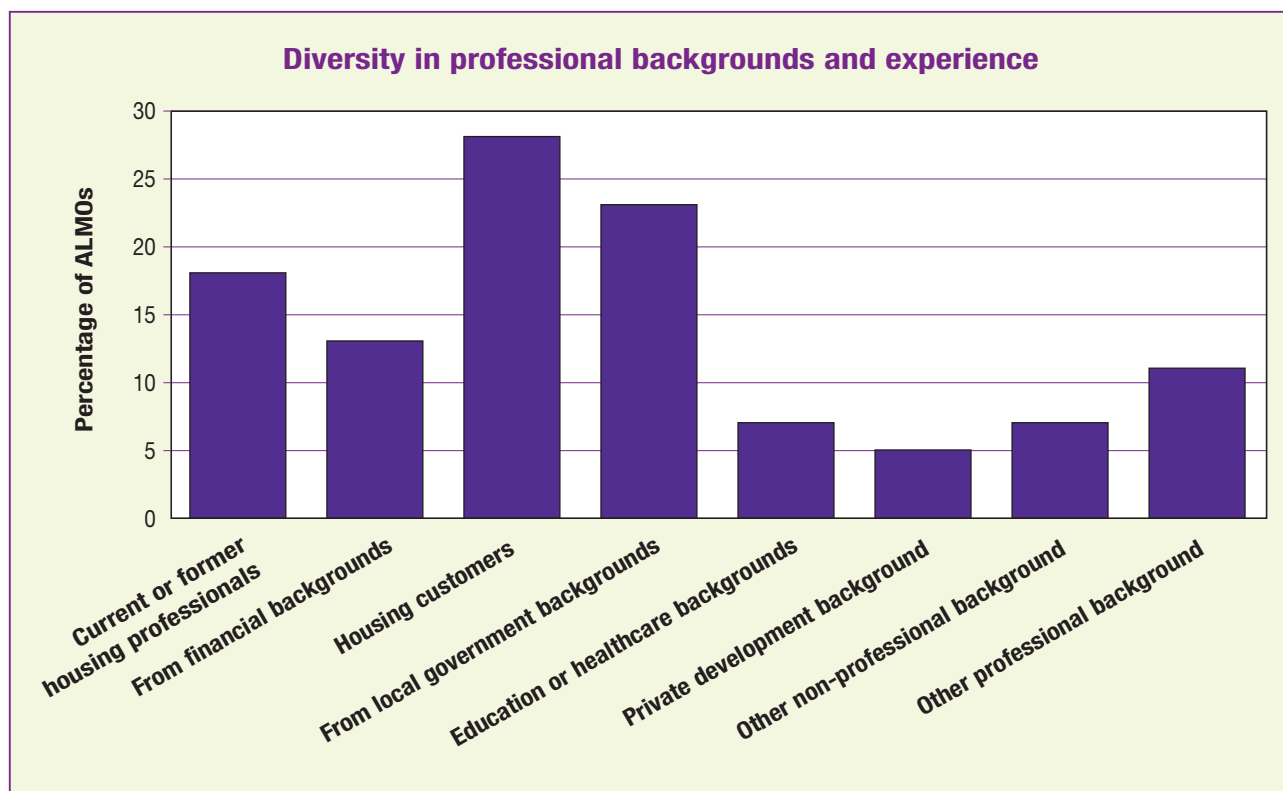
⁸ These ALMO examples are from across the four ALMO regions (North, London and South, South West and Midlands respectively) to show there is no regional difference among the 12 organisations.

⁹ Please see the following link for more information: <https://www.nwha.org.uk/wp-content/uploads/2016/03/Leading-diversity-by-2020.pdf>

ALMO GOVERNANCE: THE INSIDE TRACK

2016 Board Governance Survey – Summary findings

The survey found that board members are all from a diverse professional backgrounds and experience, with the minority being from current or former housing professional backgrounds. Fifteen (41%) state that the majority of their tenant board members are from professional backgrounds.



Thirteen (35%) have an equal opportunities and diversity policy for the recruitment of board members. This helps to ensure that the recruitment and appointment process is transparent which can help overcome the lack of diversity in the applications received by promoting awareness and interest through communication.

As mentioned previously, there is no 'right' way to attract individuals from minority groups into becoming more engaged in the delivery of their housing services. The methods chosen will vary from organisation to organisation in light of their fiscal constraints and their demographic make-up. Hence, there are various mechanisms and initiatives in place to promote the benefits of being a board member and to encourage individuals from all backgrounds to be involved in making decisions on the management of their own homes.

Wolverhampton Homes utilise the following involvement structures to promote dialogue and understanding between organisations and individuals representing local people who share protected characteristics covered by the Public Sector Equality Duty (age, disability, gender reassignment, race, religion or belief, sex, sexual orientation) introduced by the Equality Act 2010:

- Equality and Diversity Steering Group
- Equality Circle Forum
- Interfaith Council
- "Proud to be Me Network" of LGBT tenants
- local community connections
- All Cultures One Voice (a group of people, drawn from communities and organisations within Wolverhampton)
- Disability One Voice (same as above but for those specifically with a disability)

This is to ensure that the debate around policy and service provision in Wolverhampton takes into account the cross-cutting nature of equality issues.

PART SIX: Board Evaluation

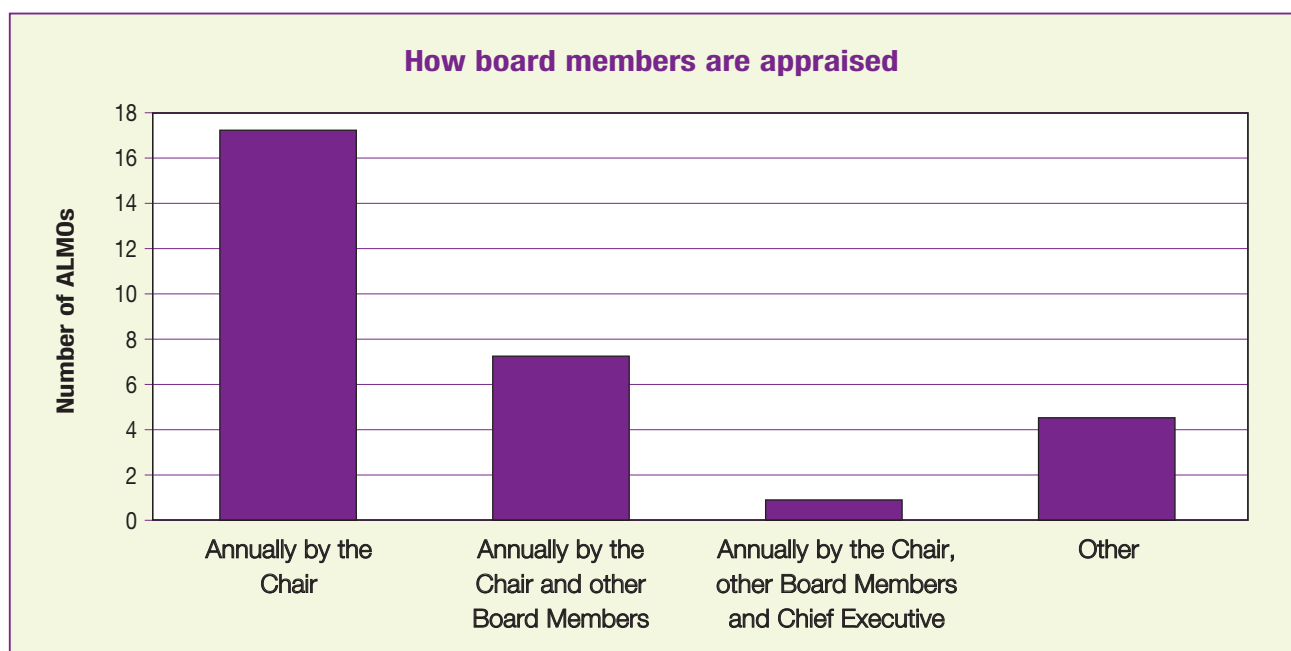
Good governance requires boards to have effective processes and to evaluate their performance and appraise board members at least once a year. The NHF Code states that boards must carry out an annual appraisal of their own performance and of individual board members, including the chair. In contrast, the UK Code requires boards to (1) state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted and for (2) board evaluations of FTSE 350 companies to be externally facilitated at least every three years (Code reference B.6.1 – 2).

More than half of our members (21) have conducted a review of their board in the last 12 months. Thirteen of which have carried out a review in the last two to four years whilst a minority (2) have done this five or more years ago.

Twenty three (62%) organisations have used external providers to carry out a review of their governance arrangements and effectiveness of their board. For all, except one which is still awaiting the outcome of their external board evaluation, the outputs ranged from amendments to board processes, changes in board composition and alterations in committee structures to significant steps towards rectifying the factors that contribute to board dysfunctionality. It is important to consider the financial cost of external reviews which can be a point of contention when considering this option. Our survey respondents reported incurred costs between £5,000 and £15,000.

The vast majority (89%) appraise board members whilst five organisations rely on other mechanisms such as one-to-one meetings with the chair and training and improvement plans to assess their performance. Seventy percent (26) also measure the collective performance of the board within the board evaluation processes via annual reviews/reports, self/external assessments and peer reviews. The chart below provides more detail of the appraisal methods adopted for board members by the sector. The other category consists of five organisations which carry out annual appraisals by the:

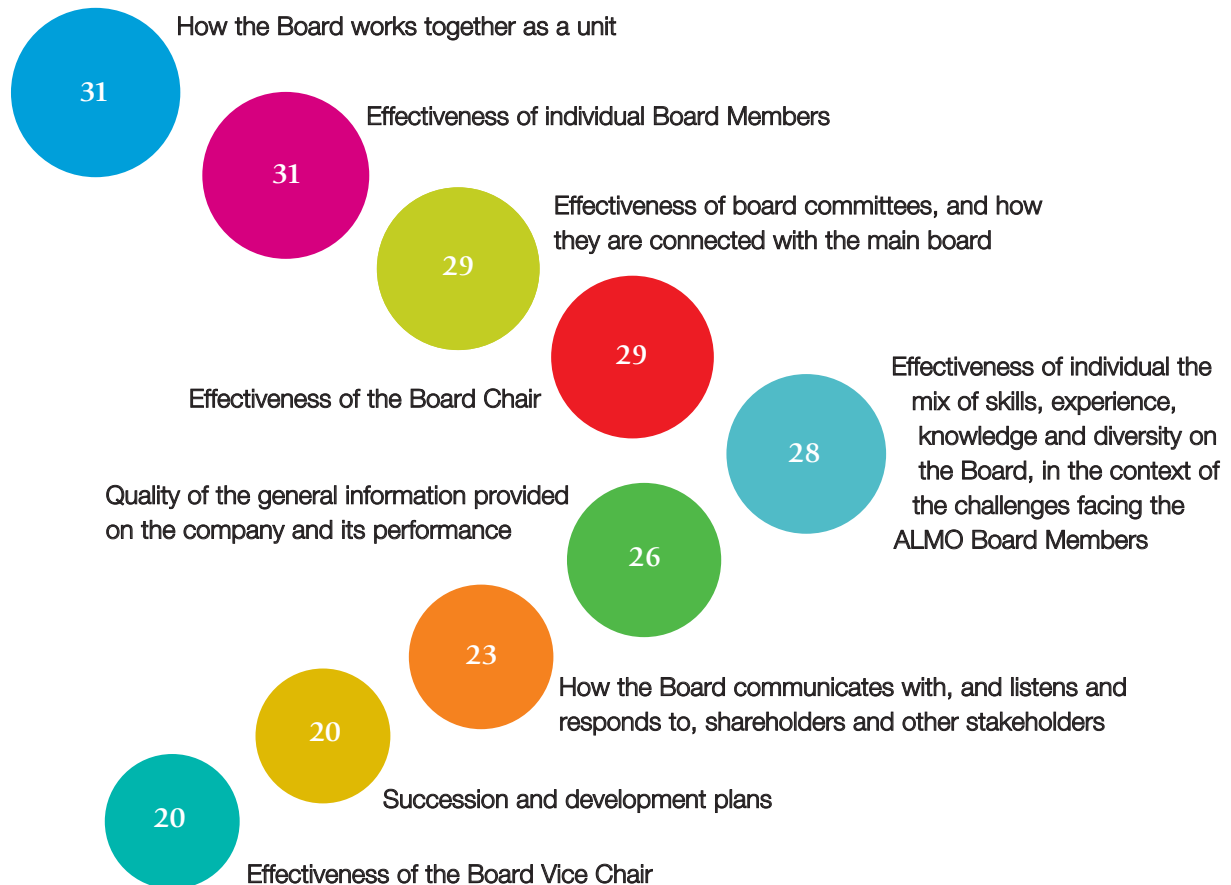
- chair and managing director
- chair and company secretary
- chair and head of governance
- solely the company secretary and
- a biannual appraisal by the chair or committee chair



ALMO GOVERNANCE: THE INSIDE TRACK

2016 Board Governance Survey – Summary findings

The following considerations are ordered by the importance given to them by our members when measuring the effectiveness of their board:



Board evaluations can bring tremendous benefits and can contribute significantly to the performance and effectiveness of individual board members, the board and subsequently the organisation as a whole. Therefore, it is important the performance and competencies of individual board members and the board overall are measured and evaluated objectively and rigorously on a continuous and regular basis in order to identify and overcome the barriers that impede their effectiveness and efficiency.

The NFA team

Further details can be found at www.almos.org.uk/nfa_team



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