

Our response to the National Housing Federation's Code of Governance Review

Consultation details

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For more information please contact

Mushtaq Khan

mushtaq@housingdiversitynetwork.co.uk

Raj Patel

raj@housingdiversitynetwork.co.uk

About the Network

The Housing Diversity Network (HDN) is a national membership social enterprise for the social housing sector. Established in 2003 HDN provides training, consultancy, research and advocacy, to the civil society, state and private sectors throughout the UK.

HDN believes that through its work covering all aspects of equality, diversity and inclusion that it has a crucial role to play in ensuring that housing organisations reflect the communities that they serve. This includes staffing establishments, seniority in decision-making and governance.

Executive Summary

HDN welcomes the opportunity to respond to the National Housing Federation's Code of Governance Review. Our response sets out the key principles which we believe will fundamentally enhance and contribute to the development of governance and leadership in the housing sector.

We set out the case for greater diversity in board recruitment and composition as well as enabling authentic diverse contributions. We believe that the rhetoric surrounding the strong case for boardroom diversity has seldom been matched by performance.

Overall, we believe that revised code of governance needs to be unequivocal on the ethical and business needs for diversity so that governance is best placed to deliver on its responsibilities.

The revised code should therefore make equality and diversity more prominent and permeate throughout the code, as well as ensuring that organisations are more inclusive in terms of their leadership, workforce and service delivery. A token adherence to a set of principles is not enough and the code should set out accountability requirements that are dedicated to equality and diversity, and enable non-compliance statements and exception reports to be monitored and addressed.

Introduction

Although the case for board diversity has never been stronger, we believe that housing boards need to seek people from diverse backgrounds and with a range of life experiences.

We acknowledge that the housing sector is not alone in this area. In the business field, Deloitte's 2017 Board Diversity Study stated that although leaders clearly believed in the benefits of diversity on their boards, current methods of sourcing and selecting candidates tended to reinforce a lack of diversity.

The broad acceptance of the need for diversity has been fuelled by strong evidence for the business benefits of diversity. McKinsey (updated report 2018) found that companies in the top quartile for gender or racial and ethnic diversity were more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions were statistically less likely to achieve above-average returns. And diversity is probably a competitive differentiator that shifts market share toward more diverse companies over time.

Cultural and demographic changes in society also need to be reflected in the way organisations are run. Sir John Parker (2017 Report on Ethnic Diversity of UK Boards) states that we must all recognise, business included, that the UK has changed dramatically over the past 40 years and greater board diversity will help UK companies be competitive in an increasingly challenging and diverse marketplace.

The role of women on boards has been the focus of a number of reviews in recent years. Although these have been mostly centred on FTSE level companies, they demonstrate the value of government support in setting ambition and targets. Lord Davies Review (2011) set a number of targets for boards of FTSE 350 companies, including that FTSE 100 boards should aim to have a minimum of 25 percent female representation by 2015. In addition, the Parker Review recommended that each FTSE 100 board should have at least one director of colour by 2021, and that FTSE 250 boards should meet this requirement by 2024.

Board Diversity in the Housing Sector

In common with other sectors, diversity in the housing boardroom has lagged behind despite intentions and efforts. A number of key figures have been drawn up by HDN through primary research and that carried out by Inside Housing magazine (2016);

- U.K. housing boards do not reflect the diverse make-up of the UK population or, perhaps more crucially, the communities they serve.
- Only 23 out of 100 housing boards have half or more women members.
- Only 2% out of 1,061 board members are under 40 years old.

- Only 7% of housing board members are BME, compared to 14% of the general population (census 2011).
- 1% of boards have individuals that identify as LGBT.
- 5.6% of board members identify themselves as disabled.
- 37% of board members are women

Inside Housing's Inclusive Futures campaign (2018) found that 18 associations had all-white boards, and a further 10 associations were not able to say because they did not hold this information on all or some of their board. These results showed negligible change since the start of 2016, when Inside Housing first carried out this survey.

In its 2015 Code of Governance the NHF states that boards should undertake a formal and rigorous annual evaluation of their own performance and that of its committees and individual directors. This should consider amongst other things the balance of skills, experience, independence and knowledge of the company on the board as well as its diversity, including gender.

The National Housing Federation's Code of Governance does promote a commitment to diversity and inclusion. governance standards.

Our own view has always been that more could be done in respect to equality and diversity, especially when associations undergo an in-depth assessment by the regulator, or in-house or ALMO team performance is monitored.

Our Response

General Questions 1

What needs to be addressed in order to make sure the Code of Governance is fit for purpose?

Overall, the code of governance needs to be unequivocal concerning the ethical and business needs for diversity so that governance best delivers on its responsibilities. The renewed code should therefore make equality and diversity (E&D) more prominent and permeate throughout the code, ensure that it supports active E&D (not allowing for a token adherence), and accountability requirements that are dedicated to E&D and non-compliance statements and exception reports monitored and responded to.

The relevant principle in the existing code (pg. v) could therefore be revised to state this thrust, to read. For example: 'Equality, Diversity and Inclusion. Fairness, equality of

opportunity, and diversity are demonstrated in all aspects of the organisation's governance and concerning customers and colleagues.'

In terms of wording, other suggested revisions to the existing code are:

Pg.1, A1, 4: Add 'SMART¹' before "plans'

Pg.1, A2: Add sentence: 'Conflicts should be stated in statement of non-compliance'

Pg.5, D, Main requirement:

- Add 'technical and social' before 'merit'
- Replace 'regular' with 'annual'
- Add sentence: 'Board is trained and ensures unbiased recruitment processes and practices.'

P5., D1: Add 'and diverse' before 'thinking'

P5., D5: Replace 'must have regard to the need for' with 'must act positively to ensure'

P6, D8: Add 'including E&D training' before 'during'

Pg.7, E2: Add sentence: 'Access requirement to information and meetings should be assessed and applied.'

Pg.7, E4: Add item '2a. Effectiveness in eliminating discrimination, advancing equality of opportunity, and fostering good relations.'

Pg.9, Section F: Add requirement, provision, and risk re: E&D

Pg.12, H1: Add 'or unfairness' after 'impropriety'

Pg.12, H1: Add 'and discrimination' before 'or'

Pg.23, L&D: add need for E&D and unconscious bias training

Pg.24, 5th bullet-point: Add 'diverse' after 'composition'

Pg.25, Add new bullet-point: 'Access needs are assessed and responded to'

Pg.27, Audit and Risk: Needs a para on how risk of inadequate diversity (representation and contribution) should be assessed and responded to

Pg.28, External Auditors: Add need for independent E&D accreditation or audit

We believe that Board meetings should be a forum for discussion and understanding allowing each board member to contribute the richness of their experience. Closed questions and an overwhelming focus on the 'risk management of everything' does not enable the board to get the best out of a diverse pool of members.

We know that the majority of board members are recruited for their diverse skills and experience to match the organisation's corporate plan. Once in post, board members do not tend to use those skills owing to the sometimes-stultifying nature of the board's business.

¹ SMART: Specific, Measurable, Achievable, Relevant, Timebound

The benefits of having a diverse board are thus lost. To truly get the most out of a range of members the sector needs to harness the opportunities of input and discussion from board members in a different way.

How could we improve the guidance which accompanies the Code of Governance?

Examples of best practice collected on the NHF website, vetted by an appropriate nominated expert or group of board members.

How do you think best practice in governance should be reflected in the new code?

HDN would be happy to review best practice on equalities, diversity, inclusion and community matters in partnership with the NHF, where we have common aims

Are you aware of any practical measures which housing association boards can take in order to ensure the board, and the organisation's senior team, reflect the diversity of the tenants, residents and communities they serve?

We believe that our Harnessing Board Diversity Pilot, undertaken by Together Housing Group and Progress Housing Group, has been a resounding success.

The programme adopts a new approach to improving board diversity through creative recruitment of a cohort of potential board members from diverse backgrounds. This cohort then undergoes a two-year training and development programme so that they are in a position to be able to apply for board vacancies in future.

Both participating organisations and the cohort of eleven potential board members have been delighted with the way that the scheme has worked so far. Boards have been introduced to prospective new members who have strengthened their knowledge and expertise and are now in a better position to apply for vacancies. Three have already taken up Board positions.

To read more and access the full report, click [here](#)

General Questions 2 – Accountability and Reporting

Do you think there is an understanding of what governance is, and the purpose of good governance for housing associations, amongst tenants, residents and other interested parties?

There is a need to express simply through a short series of ‘tweet-sized’ points why good governance will protect public expenditure and investment for residents and communities. This is a message that could be amplified by other including Councils and third sector organisations.

‘We do ... to support you to do ... with the following outcomes ...’

How should the Code of Governance address the issue of overall accountability?

Good Governance shines a light on the good work that housing associations and boards are doing to hold themselves and others to account and encourages decision-makers to take a fresh look at accountability and transparency.

Housing associations should be encouraged to review their accountability annually.

To which people and bodies should governing boards be accountable?

Service users and residents – as well as statutory bodies and partners working to meet wider local and regional needs

Are you aware of any good practice in governance that particularly focuses on accountability to residents?

We think that some organisations are making a start for more accountable governance.

For example, HDN are working with Salix Homes to deliver mentoring and training to their new 12-strong Customer Committee of the Board. All of the Committee are service users and residents, two of whom sit on the main board.

This is a growing and positive trend in the sector.

Of course, it is how they as a Committee listen and act on the views of other residents (and resident structures) which we are working through within the training that will be most helpful, but already the diversity of thought, skills and experience on this paid committee is

extensive in comparison to the previous tenant consultative base engaged with the organisation

We always think that the following from the Centre for Public Scrutiny is helpful on accountability:

We will conclude that accountability is:

- *The right of the public, as citizens, to challenge decision-makers directly as part of the democratic decision-making process;*
- *A means to bring together discussions about matters of public concern, as part of a democratic debate about the past and future delivery of public services;*
- *An obligation on the part of decision-makers to respond to and act upon the concerns and insights of those holding them to account;*
- *A way for decision-makers to improve the services they deliver, ensuring responsiveness alongside quality and value for money;*
- *One of three pillars that support effective and strong democracy – the other two being involvement and transparency.*

Organisations that sign up to the code are expected to report against it annually.

To whom and in what way should this information be reported?

In the same way as the former VFM reporting from the regulator and the annual report to tenants, the annual report on compliance with the code of governance should be placed on the website. It should be well evidenced, show trends and challenges, explain changes made and those consulted upon and decision taken, including a forward plan of continuous improvement for the following year

Should the Code of Governance require organisations to demonstrate how they have complied with it?

Yes, in the form of annual reporting, see above

Principles of good housing association governance

Do you think the principles laid out above (in the consultation document) are the right ones? Do they adequately reflect the changing environment, the challenges facing the sector, and current best practice?

We believe that they are the right ones.

Of course, we are most interested in the 'equality, diversity and inclusion' objective.

We believe that in the main the sector's executive teams and boards have been slow to change and adapt to the changing world around them.

Diversity initiatives have not been followed through, and again the pace of change has been slow. We would expect to see more changes at board or executive level following a number of initiatives that have been started.

Organisations (and the NHF) could usefully take lessons from the initiatives led by some FTSE 100 and 350 companies who have made large strides to be more inclusive especially in attracting people with the aim of enabling diversity of thought in the business.

Are these principles described in a way that is useful and clear?

They could be reviewed for Plain English and be outcome focussed

Are there any additional principles that should be included?

HDN believes that housing organisations should maintain and develop activities that can have a wider impact than just core landlord services.

We're keen to see (through our Diversity Accreditation process for example) regeneration programmes with housing associations as partners in projects which improve local communities. This means that an organisation's impact is felt in making their communities sustainable and making a difference to the lives of residents.

The Grenfell Tower tragedy highlighted the stigma attached to social housing and the inequalities pervasive in some of our seemingly richest areas.

We want housing organisations to express annually how they are adding value to community cohesion and social value in their neighbourhoods? This could be done by expanding the purpose of the annual report to tenants, to reach all of the communities.

Specifics on the code of governance

Following the tragic fire at Grenfell Tower in 2017, greater profile has been given to issues of health and safety within the sector. How should the Code of Governance reflect this?

An annual compliance statement of assurance of health and safety compliance and activities in the annual accounts?

What potential conflicts of interest should the Code of Governance anticipate, and help boards to resolve?

There is some lack of clarity of why some family members working in another organisation below executive or influencing levels, should be excluded from those board memberships.

Presumably a statement of transparency annually in the annual report and accounts could address this and ensure transparency and openness to challenge?

How should the code address housing association board and senior executive remuneration?

At least three-yearly Independent review

Should the code give guidance on ensuring that the needs of different stakeholder groups are met?

Yes, we are keen to support the NHF in communicating with diverse groups

Should the code set a limit on the number of external board positions a board member can hold?

Yes, no more than two in the same region

Should the code set a requirement for the chief executive and/or other individuals to be a board member?

Yes – no more than a quarter of the board

Should the code set a requirement to appoint a Senior Independent Director (SID) to the board?

Yes – the role of the company secretary needs to be professional, have direct line management by the Board Chair or Vice Chair and be removed from the Chief Executive.

What non-financial outcomes should the code require reporting on?

See above - Impact, local value for money indicators and social value, which are not picked up through governance regulation

How should the code address environmental and sustainability issues?

A requirement to report on the efficiency ratings of homes and the reduction plan of emissions of each housing organisation in the annual report and accounts.

We think there is a link between Equality Impact Assessments and Environmental and Sustainability Assessments. Some of our members are creatively carrying out all three assessments of policies at the same time, ensuring coherence across these critical areas.

Are there any technical aspects in relation to the code that you believe need addressing or updating?

- Freeform boxes are a better format
- The boxes should be able to link to evidence of compliance in external separate folder sources
- Links to best practice would be helpful – especially if endorsed by the regulator? Or expert appointee?

Anything else?

The publications from CFPS and FCA are helpful to understand from other public sector institutions on accountability, transparency, risk and VFM

Do you have any other comments, suggestions or observations on the Code of Governance?

The current Code is very difficult to complete.

The documents should be Word so that it is possible to amend and spell-check.

The headline questions can be a distraction to the detailed questions underneath – perhaps these should be succinct headings as overall compliance is not the same as detailed evidence of compliance.