housing agency
regulation office

Governance Standard and Assessment Framework for the Regulation of Approved Housing Bodies in Ireland

GUIDANCE AND USEFUL RESOURCES FOR TIER 1 AHBS

Contents

1 HOW TO APPLY THE STANDARD

What do we understand by good governance?

Good governance is essential to the effective operation of organisations and the sector. One aspect of it is protective, safeguarding social housing assets into the future, and ultimately protecting the long-term interests of tenants and the sector's reputation. The other is proactive, ensuring that the best possible use is made of resources to deliver maximum impact and quality outcomes for tenants and communities. Effective Boards demonstrate strong and effective leadership, and fully understand the nature and scale of the risks they are willing to engage in to deliver their strategy and objectives. A well governed organisation is committed to promoting and maintaining high ethical standards, and the Board offers both constructive challenge and support to its Executive, where applicable.

This section provides guidance only for the series of principles around which the Governance Standard is framed. This document is designed to help organisations understand how to comply with the Standard. While the principles of good governance have relevance across many different types of organisations and sectors, the practical application of them will vary in organisations of different size and complexity, as reflected in the 'Tiered', proportionate approach of the Governance Standard.

The last part of this section provides a list of useful websites where organisations can find further guidance or templates on a range of matters.

2 GUIDANCE FOR TIER 1 ORGANISATIONS ONLY

Principle 1: Providing effective leadership and direction to deliver good outcomes

Key outcomes:

Organisations which are following this principle will have a Board which:

- is properly constituted
- accepts collective responsibility for ensuring that the organisation has a clear and relevant set of aims and an appropriate plan (strategy) for achieving them.
- agrees the organisation's vision, values and reputation and leads by example.

Governing documents

Good governance of all organisations starts with the Board. Every Board will have some rules about what its powers are, how it is constituted and how it must work in practice. This kind of guidance can be found in the governing documents, which are the key legal documents (the Rules or Constitution). These will set out what the organisation is there to do for example, its charitable objectives.

Vision, mission, strategy

Every Board has to identify what the organisation is trying to achieve, in particular:

- where it is trying to get to in the future (the vision, e.g. provision of homes)
- what it does on a day-to-basis (e.g. providing good services to tenants and improving the condition of their homes), and
- what kind of plan it has to achieve its future vision (the strategy).

Every Board has a responsibility to think about the current status of the organisation. But it also needs to be looking to the future. This is what is meant by strategic planning. Changes in the external environment can mean changes to tenants' circumstances, for example how much income they may have in the future. Additionally, changes to government housing policy and standards can mean that organisations may need to spend more money on the condition of their homes.

To be able to plan well for the future involves thinking about what kind of changes are likely in the wider world. Some changes will have a direct effect on an organisation or its tenants. But there may be other things that a Board may wish to change, such as replacing the windows of homes. The Board needs to put this together into a plan.

It's useful to have a plan that looks forward, to about three or five years' time, so that a Board can think about how it is investing money over that time. For instance, if a large sum of money is needed to replace a roof, or build a new home, that expenditure needs to be carefully timed and planned and is clearly reflected in the organisation's sinking fund.

As well as a three- or five-year plan, a more detailed budget for the next 12 months is also required. With that one-year plan, the Board can be more specific about what will be done across that year, as well as running the business as usual, and what this will all mean in terms of income and expenditure.

It is very helpful to have a meeting once a year where the Board devotes time (Strategy Day) to discussing the future and what may need to change. This might be a slightly longer Board meeting, or it may be a special meeting arranged only for this purpose.

The organisation's Board will usually agree various targets or indicators (for example the percentage of rent arrears) to enable it to see how well the organisation is doing in delivering the agreed plan, and it will regularly review (typically quarterly) whether these targets and indicators are being met.

Staying up to date

Every Board needs to find ways of staying up to date with changes to law(s), compliance and regulatory obligations. This can feel a bit overwhelming when there is a small number of people looking after just a few homes in a local area. There are different, helpful ways of just making sure that the Board is aware of important things it needs to know.

Perhaps find a larger housing organisation, where a senior member of staff might be willing to come and talk to the Board from time to time. Or perhaps pay for a professional advisor once a year to come and talk to the Board about the housing sector and what might reasonably be expected of the Board of a Tier 1 organisation. It is probably also sensible to become a member of a co-ordinating body for organisations, which can keep the Board updated on a regular basis.

Principle 2: Providing clarity about roles and responsibilities

Key outcome:

Organisations which are following this principle will have a Board which:

- Has governance arrangements in place which enables the organisation to make the best use of the Board's time and to make effective and good decisions.

Different governance roles

The Board collectively needs to know what it is directly responsible for. This responsibility will generally include the finances, that the organisation in the short term has enough money available to pay its bills and in the long term has enough income to run the organisation, and look after the properties it owns.

As well as sharing in the Board's overall collective responsibility for its action, every individual Board member also needs to know what they are directly responsible for. This helps any new Board members understand what they are signing themselves up for, and it helps existing Board members to be clear about what is expected of them in terms of behaviours, commitment and time.

Therefore, every Board should have terms of reference, setting out their role, and a role description for Board members, the Chair, and for any other roles on the Board. These might typically include

- A summary of the Board's role and its responsibility to meet legal and regulatory requirements

- A list of the Board's key accountabilities, which might include, for example:
    - Approving and owning the organisation's vision, aims and strategies

  - Managing those decisions that are reserved to the Board to take, and those which are delegated to staff, where applicable
  - Following a code of conduct.
  - Agreeing key policies
  - Approving strategic plans, annual budgets, and authorisation limits.
  - Reviewing risks
  - Monitoring performance
- Arrangements for reviewing the Board's terms of reference, for example, how often the Board should review and update its terms of reference.

In the case of smaller organisations, which may not have any paid staff at all, Board members may be relied upon to take up specific roles on the Board to support the work of the Chair and the Vice-Chair (where there is one), provided that the governing documents allow the organisation to have these kinds of roles. Where the governing documents do make that provision, the Board can elect or appoint a Treasurer (see Section 5 below), if it wishes to do so.

The Secretary is likely to be engaged in taking minutes of Board meetings and in ensuring that any statutory notifications (e.g. about changes in membership of the Board) or other legal and regulatory requirements are properly met.

It is common in smaller organisations like Tier 1 organisations, and particularly where there are no or few staff, for Board members to write various documents (e.g. the plan and budget for the next year), to prepare management information (e.g. about the cashflow of the organisation) or to get involved in other day-to-day work.

Policies and procedures

It is important that the Board approves a number of policies and procedures. These policies include, Board membership, membership renewal, conflicts of interest policy, Code of Conduct policy and a register of interests.

Number of meetings

All Board members will want to demonstrate active commitment and to participate fully at board meetings, for example by reading the papers in advance. Board Members should ensure that they receive information <u>prior</u> to Board meetings, to ensure they have fully evaluated all information, where they will be requested to provide opinion and approval. The level of commitment that is required may vary depending upon the organisation's circumstances. For example, while it is required for the Board to meet at least four times a year, there is no perfect number of meetings that any organisation should have: at times of great change or if something unexpected occurs, it is common for Boards to agree to meet more frequently.

Tier 1 organisations, who rely on Board members' voluntary efforts, will also need to have time set aside in the Board calendar of meetings that enables the Board to look not only at governance matters, but also operational matters as well.

The Chair (or Chairman, Chairperson etc)

The Chair's principal task is to lead the Board, ensuring that

- meetings work well,
- Board members deal with the most important issues or decisions facing the organisation,
- all Board members get a chance to speak and contribute, and
- Board members get help and advice from outside when it needs it

Where there are few or no staff, it is common for the Chair to work closely with the Treasurer and Secretary in planning agendas and future discussion topics for the Board.

Delegating work

Occasionally there are times when it is helpful to delegate a task to a smaller group of Board members, so that they can spend time looking at something in more detail – for example, a new contract to repair properties. It is useful for the Board to be clear about whether this is a task that has a beginning and end (i.e. the group will exist just to see through that task) or whether in fact some kind of ongoing monitoring or review may be needed. In the latter case it may be more appropriate to set up a sub-committee, with clear terms of reference. This is a more formal structure and will therefore need to have a minimum number of meetings each year.

Principle 3: Building and Strengthening Board Effectiveness

Key outcomes:

Organisations which are following this principle will have a Board which:

- Has the right culture, behaviours and processes in place to be effective.
- Has Board members who have appropriate skills and knowledge, and can give enough time to the role.

Board size

In considering Board size, it is important to remember that too small a Board creates great pressure on the individual Board members and can lead to these Board members feeling weighed down by their responsibilities, particularly when there are no paid staff to help.

At a minimum Boards are expected to have five Board Members and 12 is the recommended maximum for organisations, as it is difficult with Boards larger than that for everyone to feel they can have their say and make a meaningful contribution.

Board renewal

It is important to plan ahead for changes in membership of the Board. Where a small group of people have been together for a long period of time, it will be disruptive for them all to leave at the same time and to have a wholly new group of people come in. Additionally, this would mean a large loss of knowledge to the Board and would impact new Board Members.

Perhaps every, one to 2 years, it's useful for a Board to discuss openly how it will stagger the timing of members leaving the Board and gradually introducing new members. It's normal for the longest standing members to leave first, and the Standard requires that 10 years is the maximum time to serve on the Board[1]. Getting new people on to the Board can help to freshen up everyone's thinking. Setting out a plan of who leaves in which year and the timing of the process to find new people is also referred to as 'succession planning'.

Board skills and recruitment

The Board as a whole should aim to have a wide range of skills, experience and knowledge; this helps to ensure, for example, that all the members don't just think in the same way and miss some obvious risks or pitfalls around a particular decision. When a person puts themselves forward for a Board, it useful for the existing Board to be clear about whether any particular skills would be especially valuable – for example, someone who has carried out financial reporting as part of their work or someone who has experience of looking after or building properties. Before the Board begins recruiting new people, it should identify what kind of knowledge and experience already exists on the Board and discuss at a meeting what kind of knowledge is missing and needed.

When looking for new Board members, it is helpful to cast a wide net. This might mean: public advertising – e.g. websites, trade magazines and newspapers; online advertising – e.g. LinkedIn or newspaper online offers; or spreading the word through community groups of different kinds – the local church, any chamber of commerce, sports clubs etc. Some Boards also find it helpful to 'co-opt' one or two people onto their Board on a temporary basis, especially if those people can help the organisation by proving a particular skill or expertise that the organisation cannot otherwise find.

Induction

Every new Board member will want to get up to speed quickly with the organisation's work. Normally the Chair and the Secretary (perhaps the Treasurer also) will arrange a 'welcome' induction, sharing details about the organisation's history, making available useful papers and information, and showing the new member some of the homes.

Review

It is important that Board members contribute as effectively as possible, both as individuals and in how they work together as a team. There is always room for improvement in how any team of people works together and because of that it is helpful once a year to discuss as a group what aspects of governance have worked well over the preceding year and what kind of changes might make the Board work even better in the coming year. In advance of that discussion, it is advisable for the Chair to have a discussion with each individual Board member to allow them to take stock of how

[1] Note that this applies to Board members from 15th July 2013. Service on the Board prior to this date will be disregarded for the purpose of this calculation.

they have enjoyed their role and to understand how they view the Board's effectiveness. This also offers an opportunity for the Chair to recognise the value and importance of the contribution that Board members make to the work of the organisation. Furthermore, these one-to-one discussions give the Chair an opportunity to understand whether there is anything that she or he can do differently to help the Board and the organisation make progress.

Principle 4: Conducting affairs with Honesty and Integrity, and with a Commitment to Openness and Accountability

Key outcomes:

Organisations which are following this principle will have a Board which:

- Acts in the best interests of the organisation
- Is not unduly influenced by those who may have special interests, and places the interests of the organisation above any personal interest.
- Acts with integrity
- Is open about its work, particularly as regards its residents and other key groups who have an interest in the organisation's work

Conflicts of interest

Each individual on a Board has a legal responsibility to act in the organisation's best interests and not in their own personal interests or that of another organisation. It is necessary to have some controls in place to ensure that individuals are required to act – and can be seen by anyone from outside the organisation to act – in the organisation's best interests. This helps to protect the integrity of the Board and of the organisation.

Directors have a legal duty to apply reasonable care, diligence and skill to their work and it's useful to always have in mind how a reasonable person would have approached making decisions about the matters put before the Board. Decisions should be taken for a good reason and with prudence, without serving any Board member's personal interests and with a belief that they are in the organisation's best interests; Board members should also ensure that they are properly informed about the subject matter of the decision.

A conflict of interest arises where someone may personally benefit from a decision of the Board, e.g. awarding a contract to a company in which they or perhaps a family member or other close connection have part-ownership. Their involvement in any decision such as this would raise questions about their motivation: were they acting in the organisation's best interests or simply to benefit themselves? A policy to cover these kinds of decisions helps everyone to understand what is required of them.

A good policy will set out some descriptions about conflicts of interest, define to whom it applies beyond the Board member (i.e. their family members and close connections), and what needs to be declared and when. It will also describe how declarations are dealt with, and who is responsible for different aspects of the declarations – for example, the general housekeeping around forms on which members declare interests, or how declarations within the scope of a Board meeting are dealt with and by whom.

Declaring and registering interests

There should be a Register of Interests, which captures any interests that Board members may have which conflict or could potentially conflict with their role as a Director. Typically, there should be an annual process for Board members to review the register that is kept of their interests, though they must also inform the organisation of any new interests which develop outside that process (for example, new ownership or directorship of a company).

Board agendas should have a running order that asks people early on in the meeting to make any declarations of interest about any agenda items that are going to be discussed in that meeting. If someone is in doubt in a Board meeting about whether they have an interest that requires declaration, it is normal to share that doubt with the other Board members, so that the Chair and the other members or the Company Secretary can give guidance on whether it is indeed a genuine conflict.

Where a declared matter is a direct and material interest (for example, the award of a contract by the organisation from which a Board member or their close relative may financially benefit in a significant way), it is appropriate for the Board member to resign (i.e. to step down from their role). Where the interest is less direct or material, for example if a more distant relative of a Board member were to benefit then the Board member in question might be asked to leave that part of a meeting or, if the matter is less substantial, the individual can remain, although not participate in the discussion and decision.

Any declarations and the actions of the Board in response to them must be properly recorded in the minutes of the meeting.

If anyone considers that another Board or staff member has a conflict of interest which has not been declared or, if declared, has not been dealt with appropriately, they have a duty to raise the matter immediately with the Board via the Chair or Secretary.

Openness

It is helpful for the Board to identify the different stakeholders who might take an interest in the organisation’s work, for example tenants, a local authority, anyone who has donated funds, volunteers and suppliers, and to be clear about how it communicates with them about the organisation’s performance or about any important news in relation to the organisation. Where any changes might be planned to services, the Board ought to ensure that a proper consultation has taken place with tenants about these changes. It is also important that there is a transparent process for how complaints from tenants are handled.

Behaving with integrity

A Code of Conduct provides a clear statement of the behaviours and conduct expected of Board members, as well as those not tolerated. Every Board member ought to read this document on their appointment to a Board, and every organisation's Code of Conduct is likely to be different.

Typical contents for a Code of Conduct might include something about the following areas:

- general responsibilities;
- conflicts of interest;
- bribery, gifts and hospitality;
- buying goods and services;
- confidentiality;
- personal conduct;
- relationships between Board members and involved residents;
- conduct at meetings;
- representing the organisation;
- political activities;
- reporting concerns;
- monitoring.

Every Board member has a part to play in contributing to maintaining a good reputation for their organisation and for the sector more widely.

Principle 5: Effective Financial and Risk Management

Key outcomes:

Organisations which are following this principle will have a Board which:

- has a sound decision-making and monitoring framework which helps the organisation deliver its aims. It is aware of the range of financial and non-financial risks it needs to monitor and manage.
- promotes a culture of sound management of resources.

Management of resources

Every Board member is responsible for ensuring that its organisation has adequate resources to meet both its current and long-term financial commitments.

In practical terms this means

- making sure that the organisation's assets are only used to support or carry out its purposes
- avoiding exposing the organisation's assets to undue risk

- taking special care when investing or borrowing
- complying with any restrictions on spending funds or selling land

To help it do this, the organisation's Board also needs systems in place to ensure that it has oversight of and properly manages these financial resources and that it prepares management and annual accounts which accurately reflect the organisation's financial position.

It also means the Board putting appropriate procedures and internal controls to safeguard the organisations financial assets, including bank mandates, sign off procedures, expenses limits and authorisation procedures.

These responsibilities cannot be delegated or left to the Treasurer alone, it is responsibility of the entire Board.

The types of questions that a Board asks about its finances (and their associated risks) will therefore include:

- What are our sources of income, and are they likely to increase or decrease?
- What are the essential resources that we need to continue to operate?
- What are the key risks that might affect our finances
- Are there controls in place to ensure that all expenditure is approved and valid?
- What types of controls are in place, for example, how many signatories? What is the process for making a payment etc.

The Board should invite the organisation's accountant/auditors to speak to the Board, once a year, providing recommendations to the Board on how to improve on its financial management and internal controls.

The Treasurer

Boards may appoint a Treasurer, who will bring specific financial expertise to the Board and will support them in their duty of providing financial oversight of the organisation. The Treasurer may help the Board to understand financial performance, the level of reserves, and cash flow, as well as being engaged in important statutory requirements of the Board, such as the production of the annual accounts. It is common for Treasurers to be closely involved in checking the accounts and drawing to the Board's attention specific areas of the accounts before they are finalised. Where an organisation has no staff, the Treasurer may be directly involved in book-keeping. None of these activities absolves the other Board members of their duties, and the Board as a whole is responsible for the organisation's finances.

Assessing and managing risk

Almost anything that helps an organisation to achieve its objectives will involve risk. These risks will vary in nature and scale. Some are obvious: for example, the risks and opportunities associated with carrying out a new development. Others may be less evident. For example, a Board that is entirely made up of older retired people may provide a wealth of experience, but it may also run the risk of not being up-to-date with current thinking or working practices.

The action a Board takes to identify and review its organisation's risks help the organisation to protect against and to manage these risks. It means that the organisation is less likely to be caught by surprise when something unexpected occurs.

Effectively managing risk involves developing a practical plan to identify and assess risks, agree appropriate responses and provide assurance that the chosen responses are effective. The aim is to minimise the chance of unexpected events having a significantly adverse impact on the organisation.

Risks might include:

- undertaking a major development;
- raising private finance;
- embarking on a new venture;
- entering into a major contract to provide services; or
- something happening outside the Board's control, such as a contractor becoming bankrupt.
- Housing assets

Not all of the risks will be about new things or about external changes. Boards should also think about people risks – for example their own effectiveness. The health and safety of tenants and staff must also be a top priority.

The best way to manage risk is to ensure that all of the organisation's work is planned and managed effectively, and that risks are taken into account as decisions are made. It is also important not to see risk just in financial terms. Organisations rely heavily on their reputation and this can be damaged much more easily than it can be built up. For example, Tier 1 organisations are frequently operating in local and small communities. They may face the particular risk of being able to attract people to apply to sit on the Board. They may also find it harder to manage some potential conflicts of interest, for example where a Board member is also a local contractor, but this should not absolve the organisation from having proper arrangements in place to ensure a fair and honest approach.

The Board will need to be clear about the organisation's ability to cope with risks. The first step is to build up a clear picture of the obstacles, weaknesses and threats that the organisation faces, and then prioritise them both in terms of their likelihood and potential impact. This is usually referred to as a risk map or risk register.

The next step is to take steps to manage the identified risks by mitigating (i.e. reducing) the likelihood of the risk occurring and its potential impact, by removing the risk, or by living with the risk. Not all risks can be removed completely but the organisation can plan for how to deal with these risks should they arise.

Regular consideration of the risk register or risk map is an important way of ensuring that the Board's monitoring and reassessment of strategic risks is robust. It is helpful to review the register at least twice a year, and to have a wider discussion about whether anything in the operating environment has changed.

All of this is not to say that Boards should be reluctant to take risks; they have an important role to play in seeking to achieve as much as possible with the resources they have available and will need to manage risks to be successful in that.

Principle 6: Compliance with Legal, Regulatory and Constitutional Requirements

Key outcome:

- Organisations which are following this principle will have a Board which meets all its legal, regulatory and constitutional requirements.

It is fundamental to good governance for Board members to read and understand the governing documents of the organisation and to ensure that the organisation complies with them.

Board members should be clear about the different regulatory requirements that the organisation has to meet and should seek professional advice on any areas where the Board requires it.

3 USEFUL RESOURCES

The following websites offer a range of relevant resources and guidance:

https://www.housingagency.ie/ – the Irish Housing Agency's website publishes research on a wide range of different aspects of housing.

http://www.charitiesregulatoryauthority.ie/ – the Charities Regulator is Ireland's national statutory regulator for charitable organisations. The website contains a range of forms required for interaction with the regulatory authority.

https://www.gov.uk/government/organisations/charity-commission – while the Charity Commission regulates charities in England and Wales, the website nevertheless has a range of guidance, on topics such as trustee duties, conflicts of interest or finding new Board members.

https://www.ncvo.org.uk/ – the National Council for Voluntary Organisations (commonly known as NCVO) is an umbrella organisation for some 13,000 member organisations in the voluntary sector. Members can access template resources and policies for free.

https://www.frc.org.uk/ – the Financial Reporting Council (FRC) sets the UK Corporate Governance and Stewardship Codes. It publishes some guidance for free, for example a schedule of matters reserved for the Board and terms of reference for Committees (see the Governance Bible on the website), as well as a code of conduct and the associated paperwork for conflicts of interest. The FRC will usually give some insight into the latest thinking on risk management and internal controls in the corporate sector.

https://www.icsa.org.uk/ – ICSA: the Governance Institute is a professional body for governance, offering qualifications for Chartered Secretaries. The website contains information on matters such as the role of the Company Secretary, taking minutes, Board evaluation etc., although some access is directly principally at members.

Trade bodies for social housing (whether in Ireland or other countries) generally offer a wide range of guidance and publications, though these will almost entirely be products for sale. See the following websites:

For the Irish Council for Social Housing (ICSH): https://www.icsh.ie/content/book/services/icsh-resources-and-support.

For the Northern Ireland Federation of Housing Associations (NIFHA): http://www.nifha.org/.

For the National Housing Federation (England): http://www.housing.org.uk/resource-library/?pub_type=books.

For Community Housing Cymru (Wales): https://chcymru.org.uk/en/publications.

For the Scottish Federation of Housing Associations: https://www.sfha.co.uk/our-work/policy-category/governance-and-regulation/sub-category/governance.