A Review of the Corporate Governance Arrangements of Housing Associations in Northern Ireland

Final Report

Ulster University

UNIVERSITY OF BIRMINGHAM
Housing and Communities Research Group

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Acknowledgements

Peter Shanks, Ulster University

David Mullins, University of Birmingham

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The Authors

Peter Shanks graduated in 2007 with a first class honours degree in Housing Management at Ulster University. He started his career with Housing Rights, an independent specialist advice charity, where he worked on a range of policy issues including mortgage rescue and regulation of the private rented sector. In 2008, Peter joined the Chartered Institute of Housing where he helped develop housing policy solutions and acted as policy advisor to the Commission on the Future for Housing in Northern Ireland, chaired by Lord Richard Best. In 2010, he joined the Ulster University as a Lecturer in Housing Studies and developed a particular interest in housing governance. He completed an LLM in Corporate Governance and Public Policy at Queens University, Belfast, in 2011. Peter is currently undertaking his PhD (part-time) on housing association governance and co-editing a text on housing in Northern Ireland, with Professor David Mullins, which will be launched at the ENHR conference in June 2016. He is also a member of the 'Social Housing: Institutions, Organisations and Governance' working group of the European Network of Housing Researchers, a member of the Housing Studies Association, and a fellow of the Higher Education Academy.

Professor David Mullins is an internationally renowned expert on the role of third sector organisations and social enterprises such as housing associations in the delivery of public services. He leads the Housing and Communities Research Group at University of Birmingham and formerly worked in the Third Sector Research Centre which produced over 100 research based working papers and had a significant impact on policy and services in England. His main research interests include the governance, management and regulation of housing, housing need and homelessness, the role of third sector, hybrid organisations and social enterprises in public service delivery. He co-ordinates the European Network for Housing Research Working Group on Social Housing: Institutions, Organisations and Governance and has input to housing association governance in the Republic of Ireland (Cluid HA Corporate Strategy 2011-15), New South Wales, Australia (input to report on Strategic Stewardship of Community Housing Providers in New South Wales; and published in a major US/European comparative book on 'Nonprofit Governance Research: Innovative perspectives and approaches'. His earlier work in Northern Ireland includes Non-Profit Housing organisations in Ireland, North and South. Belfast: NIHE (2003) and Third Sector Housing Partnerships in Northern Ireland (2011-12).

Abbreviations

AGM	Annual General Meeting
AMS	Asset Management Strategy
ASB	Anti-social Behaviour
BM	Board Member
CBI	Confederation of British Industry
CCNI	Charity Commission Northern Ireland
CE	Chief Executive
CIH	Chartered Institute of Housing
CPANI	Commissioner for Public Appointments Northern Ireland
DLO	Direct Labour Organisation
DSD	Department for Social Development
FD	Finance Director
HA	Housing Association
HAG	Housing Association Grant
HCA	Homes and Communities Agency
ICSH	Irish Council for Social Housing
IIP	Investors in People
IoD	Institute of Directors
JMP	Joint Management Partnerships
JRF	Joseph Rowntree Foundation
KPI	Key Performance Indicator
NHF	National Housing Federation
NI	Northern Ireland
NIAMH	Northern Ireland Action for Mental Health
NIAO	Northern Ireland Audit Office
NICVA	Northern Ireland Council for Voluntary Action
NIFHA	Northern Ireland Federation of Housing Associations
NIHE	Northern Ireland Housing Executive
NIO	Northern Ireland Office
OHG	Oaklee Homes Group
PA	Personal Assistant
PAC	Public Accounts Committee
PEST	Political, Economic, Social, Technological
QUANGO	Quasi-autonomous non-governmental organisation
RoI	Republic of Ireland
SCNI	Supporting Communities Northern Ireland
SCS	Stock Condition Survey
SENI	Social Enterprise Northern Ireland
SHDP	Social Housing Development Programme
SHR	Scottish Housing Regulator
SHRP	Social Housing Reform Programme
SLA	Service Level Agreement
SMT	Senior Management Team
SORP	Statement of Recommended Practice
SVP	St Vincent de Paul
SWOT	Strengths, Weaknesses, Opportunities, Threats
TP(O)	Tenant Participation (Officer)
VfM	Value for Money

1 Executive Summary

1.1 Introduction and Background

This review was initiated in November 2013 following a challenging set of assessments which highlighted corporate governance issues across the housing association sector in Northern Ireland. Since then, a lot of progress has been made by the sector in its understanding and management of governance and stewardship and by government officials in recognising the value of performance rather than conformance based governance in independent social enterprises such as housing associations. Acknowledgement of such progress was formally noted earlier this year by the Department for Social Development's Permanent Secretary when he addressed the Public Accounts Committee, and in December 2014, when the Comptroller and Auditor General referred to "*the continuing improvement in governance arrangements within the HA sector generally[1]*".

A myriad of factors have led to such progress including: new skills and expertise joining the sector, government guidance and interventions, improved training and development opportunities, use of technology in Boardrooms and a more general heightened awareness by board members of their roles and responsibilities. However, the governance agenda needs to constantly adapt to change and challenge. This report offers a contribution to this adaptation process drawing on the first detailed surveys of sector governance in fifteen years, five depth case studies, three roundtable discussions and a final conference to support a series of recommendations[2], which if implemented, will provide a secure base for the next phase of sector development. Over the last 40 years the housing association sector in Northern Ireland has grown considerably, transcending its initial small-scale specialist provider role. Housing associations are now the principal developers of all new social housing, and since 1992, have delivered this through a mixed funding arrangement. In just over two decades, housing associations have secured £680 million in private finance, and possess a collective portfolio of over 46,000 units managed by almost 3,000 staff. A shift in corporate governance culture and values - from one of voluntarism to professionalism – has also coincided with the sector's considerable growth. Since the 1990s, the adoption of private sector principles has resulted in huge changes for sector governance.

Board business is becoming ever more complex and demanding of board members. New financial models, diversified business streams, merged organisational structures and a rapidly evolving policy environment are but some of the issues boards increasingly have to grapple with. Robust stress testing of business and financial plans is therefore essential as things become

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[1] Northern Ireland Audit Office, (2014). *Financial Auditing and Reporting. General Report by the Comptroller and Auditor General – 2014* (online). Belfast: The Stationary Office.
[2] Recommendations have been informed by over 100 stakeholders who participated in this research. Practice examples are derived from depth case studies.

more complicated and as corporate risk intensifies. Boards need to have a clear understanding of potential risks to their organisation, and have sound contingency plans in place if things go wrong. Board members need to familiarise themselves with those cases that have experienced difficulties before, and to remember that simplicity is a key success factor in most thriving organisations[3].

Corporate governance as a concept is a relatively recent phenomenon which refers to the ways in which power and decision making is structured and exercised in organisations. It is more concerned with the decision making process than actual decisions. This is made more complex in the case of housing associations given their lack of defined ownership and hybrid organisational forms. Due to the complexity and heterogeneity of the sector there is no specific one-size-fits-all model for board composition. Rather, it is for each association to determine its best structure. One challenge facing the sector at present is the difficulty concerning recruitment and retention of highly skilled, committed board members. One of the discussions that featured consistently and prominently throughout this research was remuneration. Arguments both for and against its introduction have been explored in this study but one thing is apparent; given the number of QUANGOs and agencies in Northern Ireland that do pay board members, there is certainly a premium on, and competition for, non-executive board talent.

Board diversity is another important challenge to the sector. The under-representation of some groups within wider society (younger people, women, people in paid work and black and minority ethnic groups) on boards is one of the bigger challenges facing sector governance. Board diversity helps to ensure a range of perspectives and thought present at the board table, minimises the potential for 'groupthink' and thus enables constructive debate, challenge and dissent during board discussions. But diverse and highly skilled board talent on its own is not sufficient. Creating a positive board culture with the right behaviours, having well-designed governance calendars and effective board processes are also conducive to governance excellence.

External factors can also influence governance arrangements. A welcome move towards proportionate, risk-based regulation proposed under the DSD's new regulation framework will afford greater responsibilities and primacy to boards in managing their own affairs. Concerns, however, were raised during stakeholder discussions about the potential for duplication and dual regulation as housing associations register with the Charity Commission Northern Ireland. It appears an opportunity has been lost by not securing exempt charities status for associations here as was the case in England and Wales. Clarity on regulatory roles and functions and regulatory 'passporting', where feasible, are needed in order to avoid duplication and/or contradictory requirements. The less time and effort spent by boards satisfying overlapping compliance requirements from different regulators, the more time can be devoted to improving organisational performance.

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[3] Homes and Communities Agency, (2015). *With the Benefit of Hindsight. Learning From Problem Cases. Volume 4* (online). London: Campbell Tickell

This study shows that the majority of board members believe that more tenants should sit on boards. This is consistent with the DSD's desire[4] to increase tenant involvement in decision making-processes about key services. Homes, services, and organisational identity can all be at stake if an organisation fails. Often when things go wrong, there is very little opportunity for tenants' voices to be heard. Boards will need to consider appropriate mechanisms for engagement as this strategy affords much greater opportunities for social housing tenants to get involved in all areas of housing that affect them. Evidence from England also highlights the business benefits that organisations can gain from including tenants in their decision-making[5].

Anyone who has ever worked for a housing association or served on its board of directors will know that such organisations are never fixed. In recent years there has been an increase in the pace and volume of organisational change across the sector. Mergers, group structures and strategic alliances have become a more common feature of the sector. Since 2008 there have been thirteen mergers; more recently there has been a group structure arrangement between a large regionally-based and small community-based association. Evidence from England shows that increases to the scale and operation of housing association activities also result in significant changes to internal and external corporate governance frameworks and accountability mechanisms[6].

At a policy level, the department's regulation and inspection function, Procurement Strategy and ambitious development targets have all precipitated change. The Social Housing Reform Programme and the potential for Northern Ireland Housing Executive stock to be transferred to housing associations are also factors that might precipitate further change and sector consolidation. From a corporate governance perspective, questions remain for boards about the cost and benefit of mergers and strategic alliances, the long-term effects on sectoral identity, and how best the process is to be governed.

Structural and policy changes will continue to present governance challenges for the sector in the short to medium term. This research project provides a baseline audit of board structures, processes and relationships and can therefore help to inform future monitoring and evaluation of housing association corporate governance arrangements in Northern Ireland. This is the first study of its kind which will ideally be followed up by more regular longitudinal assessments to ensure that sector trends are benchmarked and monitored and appropriate adjustments made to governance practice.

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[4] Department for Social Development, (2015). *A Tenant Participation Strategy for Northern Ireland: 2015:2020. A Draft for Consultation.* Belfast: DSD.

[5] Bliss, N Bliss, Lambert, Halfacre, Bell and Mullins (2015). An Investment not a Cost. The Business Benefits of Tenant Involvement. Tenants Leading Change: Department for Communities and Local Government.

[6] Mullins, D., (2006). Competing Institutional Logics? Local Accountability and Scale and Efficiency in an Expanding Non-Profit Housing Sector. *Public Policy and Administration*, 21(3): 6–21.

1.2 Project Objectives

The overall aim of this research was to provide a comprehensive review of the corporate governance arrangements of the housing association sector in Northern Ireland and to build on a previous study carried out in 2000 on training and development needs of board members[7]. The literature reviewed focused mainly on non-profit organisations that deliver public services. Surveys were also completed with both chief executives and board members; this provides a baseline audit that will help to inform future monitoring and evaluation of governance and includes a factual profile of board structures, processes and relationships. The project aimed to identify shortcomings and to make recommendations on how these could be improved in conjunction with the sector. Other objectives of the research centred on providing opportunities for debate with key stakeholders in order to inform recommendations for action.

The final aim was to disseminate the findings of this evidence and to actively promote debate amongst key stakeholders to generate agreed recommendations to assist in the transition to greater regulatory autonomy consistent with the department's revised regulatory framework. The DSD[8], National Housing Federation[9] and the Financial Reporting Council[10] all provide guidance on corporate governance requirements and best practice. This evidence base here can be used to assess performance against these recognised codes of good governance. The study was therefore intended to provide a baseline for future work on governance in the sector, a mechanism for the sector itself to generate evidence based proposals for change, and a robust platform to adapt governance to changing realities in the housing association sector in Northern Ireland.

1.3 Methodology

The methodology builds on earlier research into corporate governance of boards in Northern Ireland[11] and is consistent with previous studies on housing association corporate governance in Scotland and Wales[12]. The research process comprised four distinct stages.

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[7] Mackay, C., Dawson, H., and Williamson, A., (2000). *Training and Development Needs of Board Members of Housing Associations in Northern Ireland.* Belfast: University of Ulster.

[8] Department for Social Development (2010) *Governance Guide* (online) https://www.dsdni.gov.uk/governance-guide. Belfast: DSD.

[9] National Housing Federation, (2015). *NHF Code of Governance.* London: Campbell Tickell.

[10] Financial Reporting Council (2014) The UK Corporate Governance Code https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf

[11] Mackay, C., Dawson, H., and Williamson, A., (2000). *Training and Development Needs of Board Members of Housing Associations in Northern Ireland.* Belfast: University of Ulster.

Stage One identified emerging governance issues and trends through a structured review of the literature on governance in the non-profit sector, and through stakeholder interviews with a range of individuals and organisations in Northern Ireland, the Republic of Ireland and Great Britain (see Appendix 1).

Stage Two consisted of two separate electronic surveys which were circulated to all housing association chief executives and board members. Survey questions were informed by the previous study, similar studies in other jurisdictions, stakeholder interviews, and the literature review. The board member survey generated one hundred responses from twenty housing associations giving a response rate of 32%[13]. The chief executive survey received twenty three responses (from a possible 26) giving a response rate of 88%.

Stage Three encompassed five depth case studies which were chosen to reflect the diversity of the sector in terms of size; client group; geography; and organisational structure. Interviews were conducted with non-executive, executive and tenant directors/representatives in each case, board meetings were observed using non-participant observation methods and board documentation was reviewed including board papers, board agendas and policies and procedures. Case study interviews were conducted by two researchers using a single set of topic guides for different types of interviewees (i.e. chief executives, Chairs, non-office bearing board members, and tenant directors/representatives).

Interviews lasted for approximately one hour, recorded using a Dictaphone and subsequently transcribed. Ulster University's ethical review protocol was used for all interviews. A short report was produced for each case study and consulted on with case study organisation leads.

Stage Four contained a Q-sort survey, completed by 28 key stakeholders; it explored the factors, influences and criteria for effective housing association governance. This stage also entailed a series of three workshops and a half day conference based on the themes 'Who Governs?'; 'How they Govern?', 'What they Govern?', and 'Where to Next?'. These workshops provided a platform for debate with key stakeholders and were informed by discussion papers[14] which outlined key research findings from stakeholder interviews, surveys and a review of the DSD's published inspection reports from 2012-2014 (see Appendix 2). Key findings were presented at a half-day conference. This concluded the process of presentation and consultation on findings to feed into the sector change process. This process enabled the sector to participate directly in the formulation of recommendations based on the evidence collected in the research.

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[12] The methodological approach is similar to other studies on corporate governance carried out for Communities Scotland (2005) and for the Welsh Assembly Government (2013).

[13] According to the DSD's Annual Regulatory Return figures as at 31 March 2014 there were 315 board members serving on HA boards.

[14] Discussion Papers can be accessed here: www.nifha.org/nifhanews/review-of-housing-association-corporate-governance-arrangements-in-northern-ireland/

1.4 Key Findings

1.4.1 Who Governs?

Sector governance is not currently reflective of Northern Ireland society. There is no optimal board composition because each organisation is unique and has different requirements according to the organisations' individual character and its environment. However, there is a clear business case for enhancing diversity in leadership such as improvements to governance and risk management; enriched decision making and problem solving; enhanced organisational performance and better retention and recruitment levels.

The methods used during the recruitment process are critical to attracting new members and also for enhancing diversity. Chief executives have found it difficult to recruit new board members over the last 24 months and informal approaches to board recruitment predominate. This approach results in de facto exclusion of other potential candidates and unconscious bias towards already under-represented groups.

Tenant board membership is variable, but there is strong support amongst the majority board members for more tenant positions on boards. Only half of boards had tenant directorships. The levels of importance attached to tenant accountability is supported by a wide range of methods beyond tenant board membership. The new regulation framework will also require boards to pay more attention to the role of tenant involvement in formal decision-making processes.

Chief executives were more inclined to favour board member payment than were board members themselves. The evidence also discerned a greater appetite for board payment by larger housing associations than by smaller community based associations. A quarter of board members were in post for over nine years, some for over twenty years. The '9 year rule' is not supported by most chief executives but a number believe it to be essential. Boards contain on average eleven board members.

There is a greater focus on harder, technical skills at the expense of softer skills like board teamwork. Board members bring a wide range of skills and experience, including other board and voluntary roles although there are some gaps in skills mix. Levels of qualification have increased since 2000. Board and board member appraisals are still not a feature of every organisation.

1.4.2 How they Govern?

While housing association boards are quite business focused and orientated towards strategy, there is scope to move to a greater emphasis on business performance rather than simply conformance with regulatory standards. While there was a reasonable degree of self-confidence about how boards perform, there is scope for sharing good practice across the sector and for greater use of peer mentoring within boards. There was no appetite to expand the unitary board model to housing association boards in Northern Ireland.

Life outside the Boardroom is an important but often overlooked aspect of corporate governance. More frequent and less formal interaction with staff at different levels in the organisation could give boards a better feel for the business and allow skills and knowledge to be applied more effectively.

The survey found reports of conflicts to be quite limited in housing associations (reported by less than 20% of respondents). When it did occur the main points board members disagreed on were strategy, and constitutional and legal issues. The only significant area of disagreement between boards and staff was over business development and service quality. Housing associations reported having robust conflict of interest policies in place and effective processes for declaring interests at board meetings.

Multi-level governance becomes increasingly important as housing associations grow through group structures and partnerships. There is a potential for conflicts between different levels of governance in groups. These issues need to be reflected in accountability arrangements and board members need to understand the implications for their roles.

There can be no one-size-fits-all governance model for the sector since housing associations vary considerably in scale and complexity and the role of board members therefore also varies considerably.

1.4.3 What they Govern?

According to PWC Global Accounts 2015 the financial position of the sector is strong; however there are variations in the gearing ratios of individual housing associations which could provide a catalyst for further mergers or group structures in future. Stakeholders expressed that housing associations needed to focus more on longer-term investment decisions, financial viability and organisational sustainability and not just on day-today financial management – although it was considered important too.

Deciding which assets to buy and sell or repair and improve is amongst the most fundamental decisions boards make and accounts for a high percentage of budgets (alongside staff and interest costs). Boards need to be on top of and understand asset management, stock purchase and sale, overall spend on planned and cyclical maintenance and repairs procurement. Whilst procurement is considered an important tool, frustrations remain around the current approach. A shift towards a set of higher-level principles was favoured, providing boards with autonomy and flexibility of decision-making.

Altering Rent Policy and rent models may result in a shift towards longer break-even points, possibly impacting on the future development programme. A move towards a holistic approach to housing management encompassing work on welfare reform, tenancy fraud, tenancy sustainment, tenant participation, rent collection, financial inclusion, Anti-Social Behaviour, community safety, and community investment was suggested by stakeholders.

Boards should exercise judicious use of consultancy advice and not be consultancy driven. Any consultancy advice should always be debated and considered in full by the board. Support for external facing boards with links to other boards was favoured as were board member ambassadorial roles for key stakeholder engagements.

1.4.4 Case Study Key Findings

The five case studies generated valuable additional findings on governance in practice in a variety of different contexts. Three case studies were of large and complex organisations while two were of more locally based associations with strong community links.

The case studies were all similarly structured to gain an understanding of board roles and board member participation and the way in which meetings were conducted and prepared for. There were some common themes with meetings generally conducted efficiently with a wide range of board member contributions to debates but with a tendency to defer to expert members on specific matters such as finance and development. Most meetings were able to reach consensus on the agenda items but also gave opportunities for robust challenge and different options to be considered. In a few cases items were taken back for further consideration by officers with final decisions deferred to later meetings.

Planning for meetings and agenda setting was generally undertaken by the Chair and the Chief Executive. There were variable practices in relation to the number and purpose of sub-committees and the extent to which business was fully delegated or returned to full board meetings. One case study that had operated through a single board was considering setting up Finance and Development sub-committees. Others had a number of sub-committees with delegated authority but on occasions certain issues were re-discussed at Board to confirm strategic decisions. The spread of e-governance was evident with several case study boards issuing board members with iPads and using on-line systems to provide background information to support the board papers and correspondence prior to meetings, enabling shorter agendas.

A recurrent theme was the 'absent board member' whereby debates often revolved around the need to ensure that the organisation was compliant with DSD regulation on matters such as the nine-year rule and succession, board appraisal and the format of corporate plans. While they were not at the table it was clear that DSD was an important audience to whom the minutes were addressed. In some cases boards and executives took issue with some specific regulator's interventions, but in most cases the emphasis was on ensuring regulatory compliance and demonstrating conformance.

Interestingly despite the increasing importance of private finance the case study meetings agendas did not exhibit the same level of focus on ensuring compliance with lenders' covenants and other requirements. However, finance was an important topic at all of the meetings we

observed. The emphasis on the board being in control of the organisation's finance was a strong theme and most meetings allocated a substantial time to financial and business planning matters.

The case studies also showed evidence of a growing emphasis on performance, commercial acumen and risk management that went well beyond the conformance approaches outlined above. In one case awareness of risk assessment and management was evident. A revised methodology had been adopted to more accurately identify, report and scrutinise key risks and all board members had attended externally facilitated training sessions on risk. Board member training and development was evident in all of the case studies as a key focus for the organisation and for board members. In one case a new board member appraisal process had been successfully implemented from which development opportunities had been identified. This system of appraisal will measure the contribution made by members to the work of the board and sub-committees.

Each case study report highlighted some key observations and these tended to differ between the smaller and larger organisations. One of the smaller case studies generated strong evidence on the value of community level governance in terms of local knowledge and sensitivities in managing community tensions (for example in new development in inter-face areas). This was supported by the length of connection and involvement of board members and their links with other local organisations through strategic partnerships that maximised local accountability. The other smaller case study highlighted the personal commitment of board members to the work of the organisation, particularly in relation to working with vulnerable groups in society at the local level and sustaining the association's long-standing contribution in this respect.

The larger organisations, in contrast, tended to be more concerned with managing complex structures, and where possible streamlining and simplifying these structures to enable efficient corporate decision-making across the whole organisation. One had set up a private house-building subsidiary and several were considering diversification activities with implications for future governance structures. Some had gained considerable experience in managing merger processes and integrating governance structures to support future growth and financial strength. However, some larger cases were also exercised about how they could strengthen community accountability and respond to local issues in the many different communities they now work with as they have grown away from specific localities. Managing local partnerships was a common theme for larger organisations, one of which had over 30 joint management agreements and a substantial joint venture in the supported housing field.

The case studies revealed substantial variations in board member backgrounds, with some organisations now successfully recruiting younger members in paid employment and achieving better gender mix. In one unusual case there had been strong regulatory pressure to reduce female dominance of board positions despite the specific origins of the housing association. There were relatively few tenant members on case study boards but considerable desire to ensure that tenant concerns and experience were reflected in board deliberations (with board

member training and parallel tenant engagement opportunities being promoted). One case study had recently adopted a new tenant engagement strategy. Another had invested time and resources in tenant training and development to enable effective tenant engagement with governance. A third felt there could be more tenant representation on the board and more connection made between the board and tenants and with existing community governance structures outside of the housing association itself. The generally very low Black and Minority Ethnic representation on boards was seen as a problem in some cases.

An indication of the level of motivation and commitment to mission among board members was evident. In one case board members were committed and passionate about working with clients with complex needs and carry out regular visits to schemes and services as part of their duties. In another case study board members were keen to inform and influence other agendas and to identify itself with broader social enterprise and business sectors in addition to the housing association sector, to diversify revenue streams and to improve and deliver more efficient and effective services to tenants. The utilisation of board member skills and experience was a key theme in another case study. This had been harnessed in various situations in advice and support on matters including I.T. systems, legal services, health and social care, community consultation, diversity of the workforce and finance.

These case studies provided a richer picture of the research context than did the survey evidence. They highlighted the ways in which the organisations are constantly adapting to change and external challenges and support our observation of the need to shift from a conformance to a performance based governance culture as part of this successful adaptation process.

1.4.5 Q-Sort Findings

A further small survey was undertaken to understand the different views and understandings of governance and the potential impact of board member payment. A sample of 28 respondents, half of whom were current board members completed an on-line survey to express their agreement or disagreement with 57 propositions about governance and payment. The results show four main clusters of views with the biggest contrast being between those welcoming payment in promoting professionalism in governance and those seeing payment as a risk to integrity in governance. Other clusters see control as more important than payment, and pay as making boards more passive and easy to control. This research shows the importance of conflicting assumptions about governance that underpin views about specific governance mechanisms such as payment. Not surprisingly views of possible impacts of payment were more negative than in England where payment has been around for over ten years. There were however a number of propositions that attracted a high degree of consensus one of which is that there can be 'no-one-size-fits-all' for housing association governance and we should therefore avoid an overly prescriptive approach. This reinforces some of our case study findings in the different governance drivers of large diverse housing associations and smaller locally anchored and specialist housing associations.

1. 5 Recommendations

The following recommendations were agreed at the conclusion of the stakeholder events held as part of the research process following full discussion of the evidence provided by the research team.

1. All housing association boards should set **aspirational targets for enhancing board diversity**. Boards should collaborate with agencies that work with groups under-represented in sector governance to help achieve this.

2. All **board recruitment should be open, transparent and externally advertised**. Transparent and external recruitment processes can help address the issue of diversity and lead to a wider pool of candidates applying for board positions.

3. The 'Tenant Voice' should be heard at both strategic and operational levels within housing associations. Boards should **develop effective organisational or partnership based tenant involvement infrastructure to provide accountability. All housing associations should also make provision for at least one tenant directorship on their board.** This will ensure enhanced board legitimacy and accountability but may require time, investment and training.

4. **All housing associations should have the option to remunerate board members.** This will help to create a level playing field for housing associations in what is a competitive market for non-executive talent and to reflect the complexity of the role.

5. **All housing associations should introduce at least annual one-to-one board member appraisals and biannual independent board reviews** to assist with performance reviews and board reappointment, robust succession planning, identification of training requirements and skills gaps on boards.

6. **There is a need to balance the emphasis on individual board member expertise with an equivalent emphasis on teamwork and collaboration.** Good boards are successful because they work together effectively. The ability to listen and to collaborate is as important as the ability to express opinions and demonstrate expertise.

7. HA boards should continually **develop understanding of risk oversight, determine risk appetite and align risk management with organisational strategy**.

8. **Appropriate support mechanisms** such as board mentorship programmes **should be introduced to provide guidance and support for new board members** during their first year of board service. Peer mentoring can help to reduce the learning curve and enable more productive engagement early in board tenure.

9. Housing associations should **establish clear protocols that enable informal interactions between board members and staff to improve 'domain knowledge' of the business** which will help to inform strategic thinking.

10. Board and staff **roles and responsibilities should be regularly clarified and refreshed**, particularly in hierarchical structures where confusion and uncertainty might arise.

11. **HAs should provide regular forward-looking training programmes** such as financial management and strategic financial planning **in order to address variances in skills levels**.

12. **Asset Management Strategies should be used** by boards to explore options and **to take decisions about underperforming stock**.

13. To enable a more strategic approach to social and affordable housing development, **the DSD should move towards a multi-annual development programme**.

14. **Board members should familiarise themselves with the top ten areas where they have personal liability.**

15. **Boards should develop strategies to help them become more externally facing** – which will be important as the SHRP is implemented – **and develop connections with other boards in the sector for sharing good governance experience and practice.**

16. As regulatory framework moves towards a proportionate, risk-based approach **the DSD should legislate to appoint board members or special managers in the case of failed inspections before having to initiate an Inquiry.**

1.6 Structure of the Final Report

The remainder of this report is structured as follows.

Chapter 2 addresses the question 'Who Governs' by exploring the composition of housing association boards, their diversity and representation, recruitment and motivation, tenant involvement, payment, succession, board size, skills mix, appraisal and board development. It provides a factual picture of the composition, representativeness and skills profile of boards and discusses key issues arising for sector governance.

Chapter 3 addresses the question 'How they Govern?' by exploring the ways in which boards are involved in strategy and how boards perform. Evidence is presented around five main themes: board strategy and performance (methods, effectiveness, strategic planning, and comparison to other sectors); executive/non-executive roles and relationships; life outside the Boardroom; managing tensions and conflicts; and managing accountability to stakeholders (including tenants and multi-level governance within housing association groups).

Chapter 4 addresses the question 'What they Govern?' and presents evidence around the following main themes: roles of boards/board members/sub-committees; financial management; asset management; property development; housing management and corporate governance. It draws on published DSD inspection reports from 2012-2014 and reflects on the relationship between governance and regulation and the implications this has for board skill.

Chapter 5 presents evidence from the five case studies. Organisational backgrounds, governance arrangements, strategic issues and key observations are described for each of the case studies. Each case study concludes with observations that highlight and share approaches to corporate governance practices.

Chapter 6 draws on Quinn and Rohrbaughs' (1983) management model on competing values of organisational effectiveness - derived from three competing value dimensions (internal versus external; stability versus flexibility; and means versus ends) - to help understand some of the dilemmas facing housing association boards in their pursuit of governance effectiveness. It goes on to discuss the dilemmas identified in the Northern Ireland research, presents the results of the Q-Sort on 'Governance and Payment' and concludes by identifying gaps for further research and revisiting the agreed recommendations from the roundtables and conference.

2. Who Governs Housing Associations in NI?

2.1 Survey Findings

The main survey findings presented in this section provide an analysis of the current composition of HA boards in NI, representativeness and skills profile. It shows that sector governance is not currently reflective of NI society and that there are some gaps in the skills mix. BMs bring a wide range of skills and experience, including other board and voluntary roles. Levels of qualification have increased since 2000. A quarter of BMs have been in post for over 9 years, some for over 20 years. The '9 year rule' is not supported by most CEs. Tenant representation on boards is variable, but support among BMs for tenant representation has increased since 2000. Methods of recruitment, motivations for being on boards and methods of appraisal are also explored. Many CEs consider recruitment to be difficult, and informal methods of recruitment predominate. BMs are motivated by a range of personal goals but are less likely to favour payment than do CEs.

2.1.1 Age Profile of Board Members

- According to the 2011 Census NI's average (median) age is thirty-seven. Less than one-tenth (8%) of BMs fall within the age-range 35-44. Fifty-seven per cent (57%) of were aged 45-64 and one third (32%) were aged 65+. Meanwhile only (3%) were younger than 35.
- In 2000 Mackay *et al*[15] reported that (3%) of BMs were under 30 years of age; (74%) were over 50 years of age, with (50%) over 60 years of age.
- Currently, seventy per cent (70%) of Chairs are aged 45-64 followed by (26%) aged 65+.
- Forty-five per cent (45%) of BMs were retired from paid employment. This has increased since 2000 when the comparable figure was (37%). One-third (36%) were employed full-time; (12%) were self-employed full or part-time; (5%) were employed part-time and (2%) were permanently sick / disabled.

Figure 1: Age Profile of Board Members
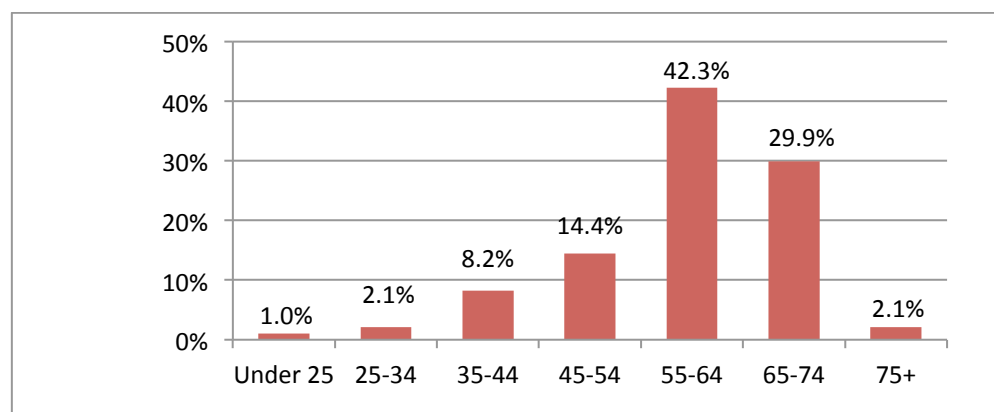
[15] Mackay, Dawson, Williamson (2000). Training and Development Needs of Board Members of Housing Associations in Northern Ireland. Centre for Voluntary Action Studies, University of Ulster

2.1.2 Gender Profile of Board Members

- Sixty-nine per cent (69%) of BMs were male and (31%) female. This represents a slight decrease in the percentage of males and an increase in the percentage of females since 2000 when (74%) were male and (26%) female.
- Comparing NI to GB: An Inside Housing survey[16] (2014) of 40 of the UK's largest HAs in England found the proportion of women on boards currently stands at (34%) exactly the same as in 2010/2011. A study by Communities Scotland[17] (2005) found that there were significantly more women (47%) serving on Scottish HA committees than in other parts of the UK. A study published last year by the Welsh Government[18] revealed that women occupy one-third of overall appointed board positions.
- The vast majority of female BMs are aged 35-74. Analysis of Census 2011 figures for this age range shows that females account for (51%) of the population.
- Seventy-eight per cent (78%) of Chairs were male compared to (22%) female.
- Eighty-two per cent (82%) CEs were male compared to (18%) female.

Figure 2: Gender Profile of Board Members
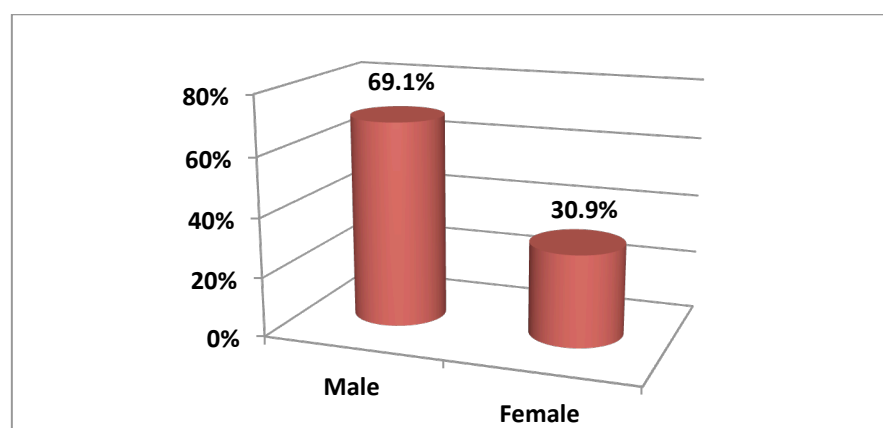
2.1.3 Race / Ethnic Profile of Board Members

- According to the CE survey, there was only one BM from an ethnic minority background.
- Ninety five per cent (95%) of BMs considered themselves as White.
- Census 2011 figures revealed that 1.8 per cent of the NI population belonged to minority ethnic groups with the main groups being Chinese, Indian, Mixed, Other Asian and Irish Travellers.

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[16] Inside Housing, (2014). Board games for housing associations. Available from: http://www.insidehousing.co.uk/home/analysis/board-games-for-housing-associations/7005174.article. Accessed 24th October 2014

[17] Hal Pawson, Madhu Satsangi, Moira Munro, Liz Cairncross, Fran Warren and Delia Lomax (2005). *A framework for governance registered social landlords: baseline survey of governing body members and review of governance.* Edinburgh: Communities Scotland

[18] Radojka Miljevic, James Tickell, Sarah Brown, Rosie Chapman and David Hingley, (2013). *Sector Study on Governance of Housing Associations Registered in Wales* (online) Merthyr Tydfil: Welsh Government

2.1.4 Board Members with Disabilities

- Seven per cent (7%) of BMs stated having a longstanding illness or disability that limited their activities and (8%) regarded themselves as disabled, as defined by disability discrimination legislation.
- Census 2011 figures stated that just over one in five (21%) of the usually resident population had a long-term health problem or disability which limited their day-to-day activities.

Figure 3: Board Members with Disabilities as defined by Disability Discrimination Act
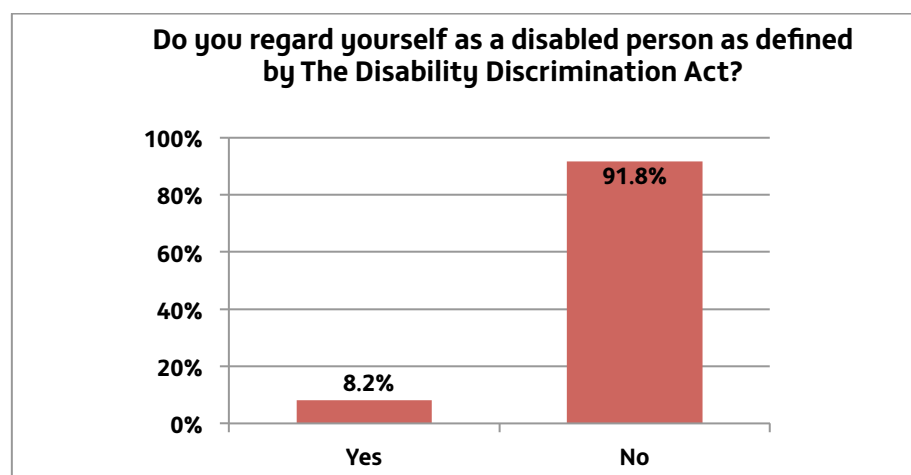
2.1.5 Religious Background of Board Members

- Approximately half (51%) of BMs considered themselves to belong to Protestant denominations, followed by one-quarter (24%) Catholic and (23%) belonging to no denomination.
- Census 2011 figures revealed that forty-five per cent (45%) per cent of the population were either Catholic or brought up as Catholic, while forty eight per cent (48%) belonged to or were brought up in Protestant, Other Christian or Christian-related denominations.
- Analysis of Census 2011 figures for 35-74 age range (95% of BMs fall within this age range) revealed that Protestants make up (46%) of the population and Catholics (43%).
- One atheist and no non-Christian religions were self-reported by board respondents.

2.1.6 Average Board Size and Board Vacancies

- The average board comprised eleven members (this information is not available for 2000), but it is believed that boards have reduced in size as in the English HA sector.
- No board meetings have been postponed in the last year for being inquorate.
- Sixty-five per cent (65%) of CEs reported having board vacancies. Typically this ranged from 1-3 places.

2.1.7 Tenant Representation on Boards

- CEs were asked 'as a percentage of the board, how much is represented by tenant BMs'. According to CEs, almost half (52%) of boards had no tenant BMs. Twenty-two per cent

(22%) had between 1-10% of board places held by tenants. The same figure (22%) had between 11-25% and only (4%) of HAs had between 26-33% of board places held by tenants.

- No board had over one third of places held by tenants. This compares to (71%) of boards having no tenant BMs in 2000.
- Seventy per cent (70%) of boards had some form of direct relationship with tenant engagement structures.
- A majority (68%) of BMs believed that tenants should sit on the board. This was a significant increase from the position in 2000, when (36%) of believed there should be tenants on boards.

2.1.8 Skills and Expertise of Board Members

In this section CE and BM views on skills and gaps are compared.

Chief Executive Response

- Almost one quarter of CEs (26%) thought their board did not contain people with a sufficiently broad range of backgrounds, skills and experience.
- All CEs felt that the board contained skills, knowledge and experience in financial management; strategic management; knowledge of the local area; housing management and had members with experience on other boards.
- Almost all CEs (95%) believed their board contained skills in each of the following areas: accounting; risk management; social policy; development and negotiation skills.
- The main skills that CEs believed to be lacking on their boards were: marketing / PR; computing / I.T.; surveying; architecture; legal; experience of being a tenant; social services and personnel / human resources.

BM Response

- BMs identified their board's main skills as: financial management; strategic management; accountancy; risk management; housing management; building maintenance/asset management; development, social policy and negotiation skills and experience on other boards.
- The main skills they believed their boards lacked included: experience of being a tenant; marketing / PR; architecture; computing and I.T.; surveying; legal and regeneration.

Comparison
- While the two lists are similar it appears that CEs place a greater importance on IT and surveying skills gaps while BMs are more concerned by gaps on experience of being a tenant.

2.1.9 Other Directorships and Volunteering Roles of Board Members

This section highlights the extent of involvement of BMs in other directorships and voluntary activities. This chimes with wider UK evidence of a 'civic core' who tend to predominate in voluntary participation roles[19].

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[19] Mohan, J., and Bulloch, S, L., (2010). *The idea of a 'civic core': what are the overlaps between charitable giving, volunteering, and civic participation in England and Wales?* Working Paper 73 (online). Birmingham: TSRC

- One third (33%) of BMs are directors (executive or non-executive) of a company other than a HA.
- Over half (56%) of BMs are involved in other non-board volunteering work averaging 15 hours a month. Almost one fifth (19%) have held public appointments in the last 5 years.
- BMs described their present or most recent employing organisation as: other public sector (19%); social housing (17%); central government (14%); private - service (14%); voluntary sector (9%); local government (8%); private – industry (7%); self-employed (7%) and private – property-related (5%).

2.1.10 Employment Experience and Qualifications

The section shows the types of employment experience that BMs bring to their roles. Interestingly, while few had worked for a HA, a significant minority (44%) had worked in housing.

- Eighty-eight per cent (88%) stated they had never worked for a HA whereas (44%) had worked in the housing sector. This difference may be explained by work in other housing sectors (notably NIHE) and in professional services to housing.
- Three-fifths (62%) had undergraduate/first degrees. This compares to (42%) having undergraduate/first degrees in 2000. One third (33%) have post-graduate/higher degree qualifications compared to (15%) in 2000.
- Only (2%) of BMs had no formal qualifications compared to (12%) in 2000.
- Almost half (53%) had a professional qualification of some description (unknown in 2000).
- Forty-six per cent (46%) had GCSEs or equivalent and approximately one-third (35%) had HNC / A-Level / Diploma equivalent.
- More than one fifth (22%) were members of the Chartered Institute of Housing (CIH).
- BMs also left comments on a wide range of other professional/chartered qualifications spanning a diverse spectrum including: accountancy, banking, personnel and development, public relations, marketing, social work, nursing, psychology, legal services, engineering (building and civil) and planning.

2.1.11 Methods of Recruitment for New Board Members

- All twenty-three CEs stated that they had or had attempted to appoint BMs in the last two years. (49%) had experienced difficulties in recruiting new BMs during this time.
- Almost half (49%) of BMs joined the board after being approached by an existing member. One fifth (21%) actively sought a BM role. Twelve per cent (12%) were approached by a staff member and the same figure (12%) replied to an advertisement by the HA.
- Others were recruited through NIFHA organised events (3%), HA information days and one member came through the DSD sponsored Business on Board initiative.
- The top three methods used to identify potential BMs by CEs were: 'through NIFHA register / events'; 'all BMs are asked to find/approach suitable person(s)' and 'local advertisements'.
- The three least common approaches were 'information days/evenings organised by the association'; 'direct approach to interested group for nomination' and 'CE is asked to find or approach suitable person(s)'.

- Results show that BMs being 'asked to find/approach suitable person(s)' and 'through NIFHA register / events' generate the majority of BMs and are most effective. This raises other key questions regarding the representativeness of BMs (see discussion section).
- The three most common methods of appointment according to CEs were: by co-option; election by voting at the AGM; appointment by decision of the full board (with interview) followed an interview by mix of executive team and board.
- Almost one tenth of CEs (9%) said they did not use role descriptions or person specifications to define BM roles.

Figure 4: Board members on how they first came on to the Board

How did you first come onto the board?

- 21% — Actively sought out a Housing Association board role
- 49% — Approached by Housing Association board member
- 12% — Approached by member of Housing Association staff
- 1% — Invited to Information Day organised by the Housing Association
- 3% — NIFHA organised event e.g. speed dating; information day
- 2% — Nominated by membership of the Housing Association
- 12%

2.1.12 Motivation for Board Membership

- Three-fifths (61%) of BMs joined the board because it would be 'an opportunity to exercise skills and experience gained elsewhere' and a similar percentage wanted 'to contribute to society' (60%). Half (50%) thought it 'would be something I would be good at and this would be satisfying to me' followed by forty-eight per cent (48%) having 'an interest in the Association's aims'.
- Less than half (46%) joined 'because I was asked / invited to join' followed by having a specific 'housing interest' (45%); having a chance to 'offer advice / expertise' (44%) and having an interest in 'property development' (30%)
- The least common motivating factors indicated by BMs included having an 'interest in a special client group' (12%), 'to make-use of spare time' (10%), 'to represent the interests of local people' (9%) and the 'local area' (9%). Six per cent (6%) were 'founding members' and (5%) of respondents had a 'rural interest'.
- A rather different question format was used in 2000. The reasons indicated for BMs joining the board then were: local community interest (17%); housing interest (16%); egalitarian (giving back) (13%); and special client group interest (12%).
- The least common reasons for joining the board in 2000 were: invited to join (8%); to give advice or offer experience (6%); rural interest (5%); rehabilitation or building interest (4%);

originally in another HA (3%); interest in HA's aims (3%); invited due to experience (3%); founding member (2%).

2.1.13 Tenure and Maximum Terms for Board Positions

This section discusses the question of tenure and maximum terms, first for Chairs and then for ordinary BMs.

Chairs

- CEs reported that sixty-five per cent (65%) of Chairs have been chairing for 0-3 years; almost a quarter (26%) for 3-6 years and almost one-tenth (9%) for 10-12 years.
- According to CEs a quarter (26%) of HAs do not have maximum terms for Chairs after which they must retire. For those that have maximum terms for Chairs fifty-eight per cent (58%) have a 3-year tenure; one quarter (24%) must retire after 9 years and (18%) after 6 years.
- Sixty-five per cent (65%) of CEs disagreed that BMs should retire after 9 years citing loss of commitment, expertise and experience as well as a need to balance experience with new members.

Board Members

- CEs indicated that board rotations for ordinary BMs occur every 0-3 years (53%); 3-6 years (26%); positions are not rotated (13%); 7-9 years (4%) and 12+ years (4%).
- The majority of BMs (62%) had been members of the board for 0-5 years, followed by (14%) for 6-9 years; (7%) for 10-14 years and (7%) for 15-19 years; and one-tenth (10%) for 20+ years.
- The figures for 2000 were 0-5 years (35%); 6-10 (20%); 11-15 (16%); 16-20 (15%) and 20+ (16%).
- Almost three-quarters (76%) of BMs had been serving for nine years or less. This means almost one-quarter (24%) exceeded the DSD's nine-year term.

Figure 5: Chief Executives' thoughts on the nine-year rule

Do you agree/disagree that board members should retire after 9 years

Agree: 34.8%
Disagree: 65.2%
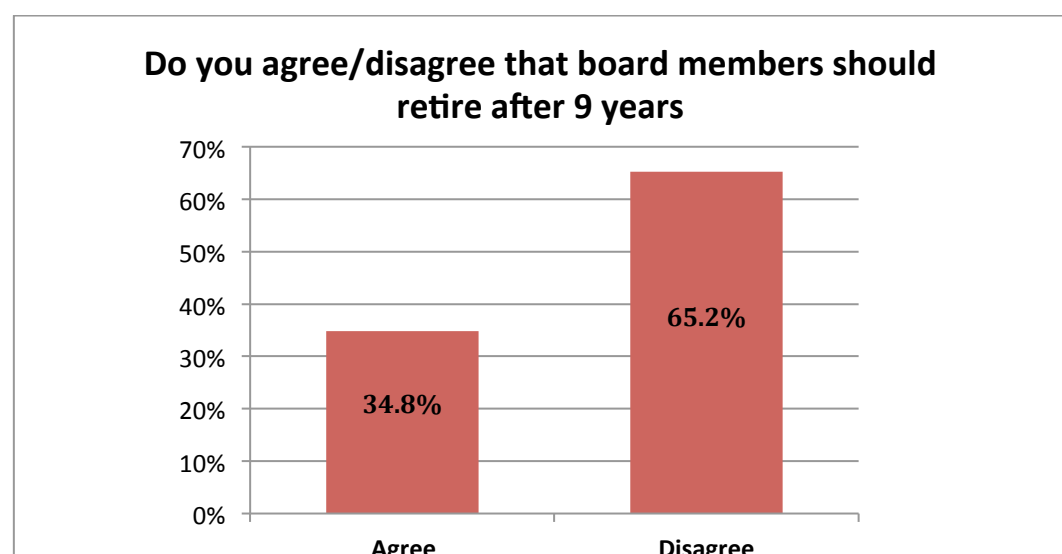
2.1.14 BM Payment

- Unlike some HAs in other parts of UK, NI BMs work on voluntary basis and receive no payment for their services.
- Almost three-quarters (74%) of CEs were in favour of BM remuneration.
- In contrast more than half (54%) of BMs do not believe board positions should be remunerated compared to (46%) in favour.
- This was one of the bigger areas of disagreement between the CE and BM surveys. However, there has been a change in BM perceptions on this issue since 2000 when (90%) of BMs believed that HAs board positions should remain voluntary and not be remunerated.
- There was also a distinction between survey responses between smaller and larger HAs. Respondents from the larger HAs were more inclined to support BM payment compared to those in smaller community based HAs.

2.1.15 Induction for New Board Members

- On joining the board, BMs availed of briefing/induction packs (86%); advice and expertise from staff (82%); briefings from other BMs (75%) and from staff (75%).
- BMs had fewer opportunities to avail of: visits to HA properties (68%); training from outside experts (66%); in-house experts (65%); and visits to other HAs (46%).
- Three-quarters (74%) received induction training - averaging two days - when joining the board.
- All CEs stated that an induction process (formal and/or informal) is provided for new BMs.
- One quarter (26%) of BMs reported not having received a 'formal' induction. From this (81%) believed that it would have been of benefit to discuss induction packs etc.
- CEs reported that their HA uses induction training (100%); skills audit / review (90%); annual appraisal of BMs (80%) to aid board performance. The least common aid to improving performance was mentoring (17%).

2.1.16 BM Training

- Almost all (99%) of BMs considered training important.
- The six main areas identified by BMs as required for training included: strategy (management and change of the HA); governance; risk; finance; changes in policy/political environment; and asset management.
- Other areas of training they identified included care and support; procurement; DSD regulation; communication and reputation and health and safety.
- Less emphasis was placed by BMs on equal opportunities; management; HR; teamwork; and business development.
- According to CEs, the most common training provided to BMs included: induction training; governance; finance; strategy (management and change of the HA); and risk.
- The least common training courses included: human resources; board teamwork; management and asset management.
- The biggest gaps in terms of training presently required by BMs and training routinely offered/provided by the HA were: changes in the policy/political environment; asset management; risk; strategy (management and change of the HA) and board teamwork.
- This analysis suggests a lower focus on 'soft skills' such as teamwork, HR and equal opportunities compared to 'harder' technical and financial skills.

- The top areas identified for training in 2000 were: changes in policy; housing matters in general; development; finance; induction training; board teamwork; governance; and management.
- Away days, seminars and training courses were the most acceptable methods of training. Reading Trade Press and attending conferences were quite acceptable followed by training manuals as least acceptable. This is consistent with the study in 2000.
- BMs spent an average of four days a year training (including attending conferences).
- CEs stated BMs were expected to undertake on average 2 days training per year as a group.
- In the past two years HAs provided training events or seminars (95%); in house training or briefing sessions (86%); pre-board meetings (59%) and buddy/mentor programmes (13%).
- According to CEs almost one-quarter (23%) of BMs do not participate in training.

Figure 6: Areas of Training Required by Board Members
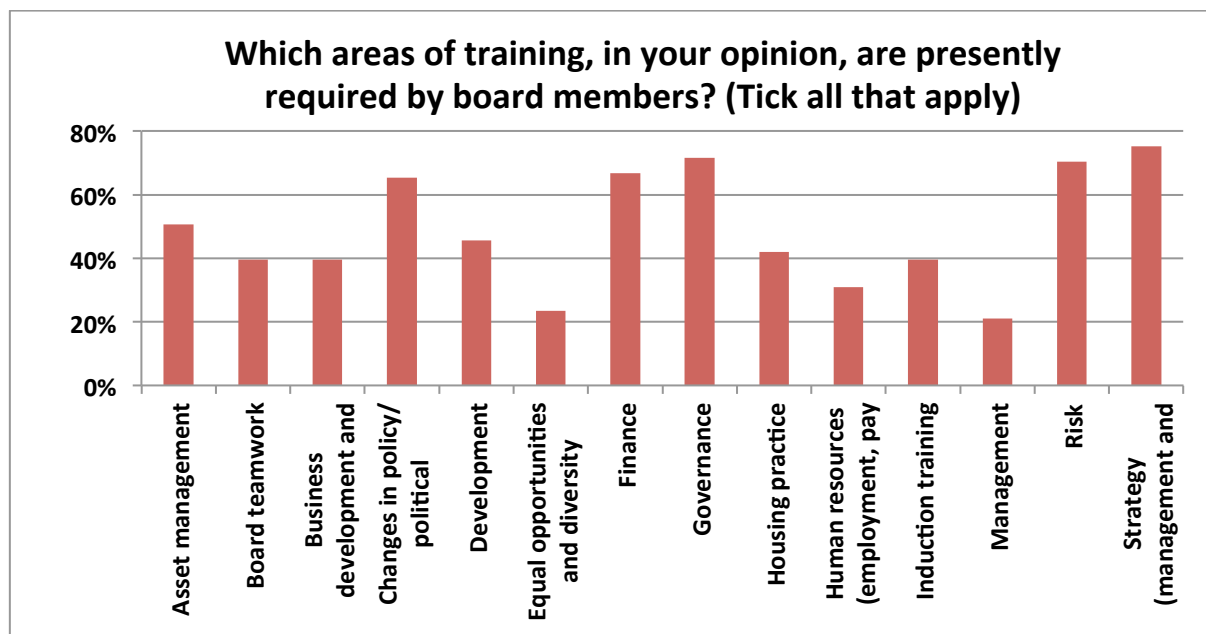
2.1.17 BM and Board Appraisals

- Almost one-fifth (22%) of CEs reported that the performance of individual BMs is not appraised.
- Where appraisal did occur this was done by the Chair (88%) or by another BM (12%).
- CEs reported that almost one-fifth (18%) of board reviews (as opposed to individual reviews) are undertaken by an independent third party.
- According to CEs board reviews take place annually (78%); every 2-3 years (9%); every 5+ years (4%) and never (9%).
- Almost one-tenth (9%) of CEs are not regularly performance assessed by the board.
- The most common standards used to measure governance were the DSD and NHF guides.

Figure 7: Frequency of Board Reviews

How often do board reviews take place?

Legend:
- Every 6 months
- Annually
- 2-3 years
- 3-5 years
- 5+ years
- Never

Values shown: 8.7%, 4.3%, 8.7%, 78.3%
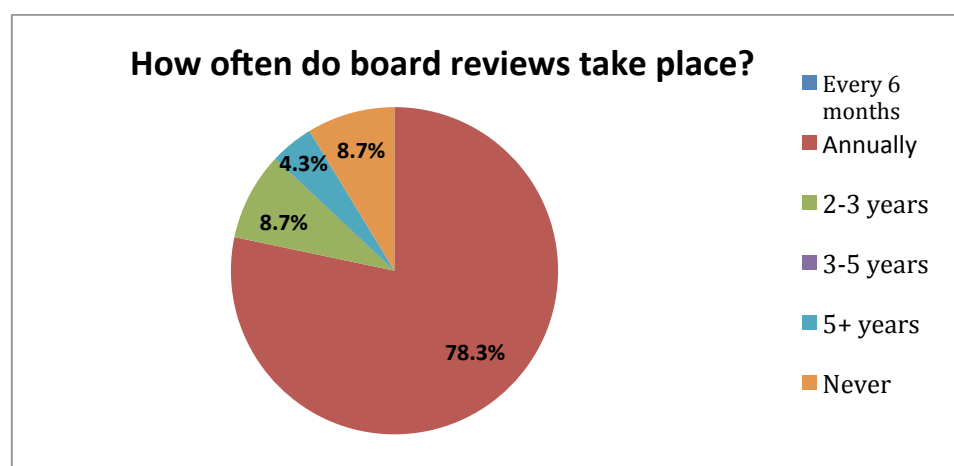
2.2 Discussion and Implications for Governance

2.2.1 Diversity and Representation

The surveys clearly established that sector governance is not currently reflective of NI society, particularly in terms of people in employment, age, gender, religion and disability. Lack of diversity on boards has received a lot of recent attention. The CIH's Presidential Commission on Leadership and Diversity[20] clearly set out the business case for diversity in leadership. Improvements to governance and risk management; enriched decision making and problem solving; enhanced organisational performance and better retention and recruitment levels are all benefits from having diversity in leadership. Research shows that diversity (of all types) can lead to improved decision-making and is positively associated with organisational performance[21]. As a lack of diversity can restrict debate and limit understanding, the argument is not simply about equality. Improved diversity can also enhance the collective wisdom of organisations, reduce groupthink, and improve organisational credibility.

The Commissioner for Public Appointments in Northern Ireland (CPANI) produced a report[22] at the beginning of 2014 on the under-representation and lack of diversity in public appointments. As in the public sector, women, young and working people, people with disabilities and people from ethnic minority backgrounds are under-represented on boards of HA.

During the 'Who Governs?' workshop stakeholders expressed a number ways in which HA board composition could be broadened without compromising current skills levels and expertise. Greater transparency around BM recruitment and active promotion and advertisement of board vacancies was advocated by workshop participants. There was also a pressing desire to develop a

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[20] Chartered Institute of Housing, (2015). *Leading Diversity by 2020* (online). Coventry: CIH

[21] Rhode, D., and Packel, A., (2014). Diversity on Corporate Boards: How Much Difference Does Difference Make? *Delaware Journal of Corporate Law* (DLCL), Vol, 39, No. 2 pp 377-426.

[22] The Commissioner for Public Appointments Northern Ireland (2014). *Under-Representation and Lack of Diversity in Public Appointments in Northern Ireland* (online). Belfast: CPANI

clear and positive narrative about what potential BMs might expect to gain from joining a board. Although board quotas were not favoured as a tool for enhancing diversity, participants supported the need for boards to measure and take greater cognisance of representativeness. It was also suggested that extending reach to underrepresented groups could be achieved by linking in with stakeholder agencies from housing and other sectors.

"For organisations to effectively serve their customers and neighbourhoods, and to recruit and retain the best professionals for their organisation, it is important that leadership and governance structures represent the communities they are working for." (Leading Diversity by 2020 - page 3)

In the absence of having people of working age, HA boards are missing out on present day experience and skills relevant to the current workplace. This gap can relate to meeting times and expectations and established cultures; but where HAs are willing to be flexible they can succeed in tapping into this key group. Service users can identify better with boards run by people like themselves (i.e. more inclusion of younger people, women, tenants etc.)[23]. Current BMs have much experience and a wide range of skills to offer, and the level of qualifications has increased since 2000. However, older able bodied, white men do not have a monopoly of knowledge and wisdom concerning the business of HAs and therefore board recruitment should now firmly focus on methods to increase diversity and representativeness of boards.

2.2.2 Recruitment Methods and Motivations

The methods used during the recruitment process are critical to attracting new members and also for enhancing diversity. The importance attached to transparent appointment procedures is rooted in a concern about the lack of diversity on boards[24]. Almost half of CEs found difficulties recruiting new BMs over the past 24 months. Moreover, the surveys show that HAs in NI rely heavily on the social networks of existing BMs and staff (60% of new board appointments are made this way) when recruiting new members. Similar patterns elsewhere in the UK has led to some commentators accusing HAs recruiting 'safe choices' and boards being 'self-perpetuating oligarchies'[25]. There have been concerns expressed in the literature and during stakeholder sessions that informal recruitment can result in unconscious bias and this approach works against under-represented groups as male BMs are more likely to approach other men from their own professional/social networks. It was stressed during the workshop that any barriers which prevent potential candidates from applying for board positions need to be identified, and changed if possible. One such barrier is the informal approach to board recruitment that results in de facto exclusion of other potential candidates. The reliance on informal methods of recruitment is likely to compound the involvement of a 'civic core' already well represented in NI society governance roles. While this can be advantageous for networking and sourcing specific skills it is unlikely to address current areas of under-representation.

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[23] Michael Locke, Nasa Begum and Paul Robson (2003) "Service users and charity governance" in Cornforth, C (eds). *The Governance of Public and Non-Profit Organisations.* London: Routledge

[24] Fred Robinson and Keith Shaw (2003) "Who governs North East England" in Cornforth, C (eds). *The Governance of Public and Non-Profit Organisations.* London: Routledge

[25] Malpass, P (2000). Housing Associations and Housing Policy. Basingstoke: Macmillan Press Ltd

Research suggests that as non-profit organisations age, BM recruitment sees more professionalised appointments[26] switching from informal methods of recruitment to more formal methods[27].

2.2.3 User Involvement and Tenant Directorships

Some studies show that greater representation of stakeholder groups can help to optimize the governance effectiveness of non-profit organisations[28]. However, Lord Myer's recent independent governance review of the Co-operative Group highlighted a flawed system of elected representation which produced governors without the necessary qualifications and experience to provide effective board leadership, and to monitor, challenge and provide direction to management.

Cairncross *et al* (1997)[29] identified a typology of three approaches to tenant participation (TP) in local authority housing which included traditional, consumerist and citizenship models. In traditional authorities participation was limited and councillors perceived themselves as the voice of tenants, not the tenant representatives. In the consumerist approach, TP was seen as a way to provide improved services for tenants as consumers through marketing exercises and meeting them on an individual basis. The citizenship model placed greater emphasis on consultation and 'citizen rights' of tenants. This approach included having tenant representation on decision-making bodies. Under this approach, tenant representation on boards can create tensions between the stewardship role of the board which emphasises expertise and experience and the democratic role of the board which emphasises stakeholder/constituency views.

A study by the Joseph Rowntree Foundation (2008)[30] highlighted the ambiguity about the roles of citizens and service users in governance. It recognised the distinction between having citizens/service users involved as 'individual experts' or as 'community representatives' and identified two design principles which may have implications for the design of HA governance structures. Firstly, expertise in local knowledge enables tenants to contribute to the design and delivery of housing services and is seen as an area of expertise in its own right along with technical/professional expertise. Secondly, local representation accentuates a participatory approach of governance which ensures a more democratic and legitimized approach to decision making.

There is significant variation in TP practices amongst HAs in NI. The DSD acknowledges that there are many excellent examples of good tenant engagement throughout the sector in its '*A Tenant Participation Strategy for Northern Ireland: 2015 to 2020*' but also states that "*many*

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[26] Cornforth, C. & Simpson, S. (2002). Change and continuity in the governance of nonprofit organizations in the U.K: the impact of organizational size. Nonprofit Management and Leadership, 12(4), 451-470.

[27] Andre´s, P., V. Azofra and M. E. Romero (2009). 'Determinants of nonprofit board size and composition. The case of Spanish foundations', Nonprofit and Voluntary Sector Quarterly

[28] Wellens, L & Jegers, M (2014). 'Effective Governance in nonprofit organizations: a literature based multiple stakeholder approach' *European Management Journal*, Vol 32, no. 2, pp. 223-243.

[29] Liz Cairncross, David Clapham & Robina Goodlad. (1997) Housing Management, Consumers and Citizens London: Sage.

[30] Foot, J., (2009). *Citizen Involvement in Local Governance.* Joseph Rowntree Foundation: York.

tenants have few opportunities to get involved with social landlords and their services" (page 18). HAs boards will have to become more strategic in their approaches to TP – particularly those organisations that provide few opportunities at present or experience difficulties in setting up tenants/residents groups due to issues of scale and/or location. There is no specific regulatory requirement for tenants to be directly represented on boards although the DSD has given an undertaking in its strategy[31] to provide guidance on tenant involvement in governance and board membership. Moreover, under the proposals outlined in the New Regulatory Framework for Social Housing Providers in NI, HAs are expected to *"manage their business so that tenants and other customers find it easy to participate in and influence their landlord's decisions at a level they feel comfortable with[32]"* (page 21). In terms of implications for governance, the evolving regulatory landscape will ensure that boards afford greater credence to tenant involvement in decisions that affect them, their local communities, their services, and the organisation's future direction.

Evidence was divided in relation to whether or not tenants should sit on boards (as opposed to their actual role). Although the majority of BMs believed that tenants should sit on boards, stakeholders opinions ranged from those who thought it was absolutely essential to those that felt tenants were better placed sitting on more operationally focused sub-boards/committees. Those that favoured tenant directorships cited the potential for enhanced board legitimacy and accountability, greater insight and feedback into tenant services, and improved assessment of organisational performance. Those who were opposed suggested potential conflicts of interest, tendencies by tenant BMs to focus on operational issues, personal interests being brought to the board table, difficulties in recruitment and selection and difficulties for those organisations that specialise in housing tenants with learning difficulties. Other concerns centred on issues of confidentiality and access to sensitive information.

2.2.4 Payment of Board Members

Despite the DSD's recent consultation exercise on the prospect of board payment, to date HA board governance in NI has been a voluntary activity. However, following the ten-year experience of payment by some HA boards (and most larger HAs) in England, there have been suggestions that this should change. Almost three-quarters of CEs favour remuneration compared to less than half of current BMs. This difference may be explained, in part, by the fact that CEs are finding it increasingly difficult to attract new BMs and that the business of HAs is becoming more complex, requires new skill-sets, whilst at the same time 60% of members are motivated to join boards to contribute to society. The evidence also discerned a greater appetite for board payment by larger HAs than by smaller community based HAs. Stakeholders debated the need for choice and flexibility in relation to board payment, its relationship with organisational culture, scale and complexity.

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[31] Department for Social Development, (2015). *A Tenant Participation Strategy for Northern Ireland: 2015:2020. A Draft for Consultation. (online).* Belfast: DSD.

[32] Department for Social Development, (2015). *Proposals for a new Regulatory Framework for Social Housing Providers in Northern Ireland. (online).* Belfast: DSD.

As HA business and financial models become more complex, the oversight and commitment required becomes more intense. BMs' roles are becoming more technically demanding and more time consuming. Again there was a divergence on this particular topic. Some stakeholders argued that in order to attract and retain high calibre BMs - willing to give the time required to fulfil the role – remuneration was needed. Arguments made in favour of remuneration included the need to enhance professionalism and accountability; to extend the talent pool particularly for those of working-age; to improve attendance and commitment; to enable robust performance assessment due to the 'contractual' like relationship which provides clarity on roles and responsibilities; to be able to compete for talent with other public bodies which pay; to attract a diverse range of candidates; to address performance issues; and to support on-going learning and development.

Arguments made against remuneration included damaging perceptions among tenants and other stakeholders; erosion of voluntarism, change in the relationship with the organisation to that of a 'paid servant', thereby reducing independence, voluntary identity and the not-for-profit ethos; attracting members for the wrong reasons; and cost (money that could be used for other purposes). Many members referred to providing a service to the community, and others thought remuneration would mean having to prioritise HA business over other commitments. Others suggested payment of travel expenses and subsistence was sufficient. Remuneration also raised queries about welfare benefit payments for some tenant BMs. It was noted by legal professionals that irrespective of whether payment is introduced the role and responsibilities of BMs remains the same.

A separate Q-sort survey also shed light on perspectives on board payment in Northern Ireland. This survey is reported more fully in section 6.3. The Q-sort survey was completed by 28 respondents in Northern Ireland between November 2014 and March 2015. The survey builds on earlier work in England by Bruce Moore of University of Birmingham who had developed 57 propositions about HA governance and the potential impacts of BM payment since its first introduction in England 10 years ago. These propositions were adapted to fit the different sector context in NI and in particular the fact that payment had not been introduced although it was being publically discussed as a possibility at the time of the survey.

The key findings were that the 28 respondents in NI, half of whom (14) were current board members (the remainder being CEOs (5), housing staff (4), consultants (3) and not disclosed (2) had a variety of views on governance and payment which boiled down to four main clusters.

- The largest cluster of views was pro professionalism and pay. The other three views were less positive about pay but for different reasons.

- The second cluster was concerned that pay might affect integrity.

- The third cluster though that control is more important than payment in improving governance.

- The fourth cluster was concerned that payment can make boards more passive and easier for the executive to control.

Understandably these views were less positive about payment than similar surveys in England where payment has existed for over ten years. However they do usefully flag up some of the underlying assumptions about governance on which proposals for payment rest. Will payment be associated with increased professionalism? (for example by attracting skilled BMs who might otherwise have gone to other sectors who offer payment). On the other hand could it undermine good governance by challenging motivations of altruism and integrity or simply enable executives to exert more control over non-executives? Finally how important is payment in relation to other governance drivers such as control by chairs, executives and standing order procedures?

There is little evidence in the not-for-profit or housing sector which assesses the relationship between payment and organisational performance. In the wider non-profit sector, studies by Ostrower (2007, 2008) failed to show any evidence to date that compensating BMs helps attract stronger members.

2.2.5 Maximum Terms for Boards

Effective board renewal relies on clear and transparent succession planning. In recent years DSD has placed emphasis on changing governance by introducing three terms of office of three years (9 year rule). Evidence showed that almost one quarter of BMs were beyond this requirement, although it was reported that DSD had shown flexibility to ensure a phased approach. It is unclear, however, the extent of which those BMs serving less than nine years (75%) had been re-appointed after a year or two hiatus from the board. There is no evidence that any re-appointments are based on results of formal appraisals or to more general recruitment criteria. Sixty five per cent of CEs disagreed with the nine-year rule citing loss of commitment, expertise and experience as well as a need to balance experience with new BMs. Only a small proportion of organisations use mentoring for new BMs. Some stakeholders believed that the nine-year rule should be sacrosanct; a necessary tool to support board refreshment and to avoid 'group think'. Those opposed to it cited a reluctance to let go of long-standing BMs for fear of losing skills and organisational memory.

Other discussions centred on whether Chairs should hold office for two year or three year periods and if they should be appointed from within or outwith the board. Some stakeholders thought that the commitment required by the Chair made the role more suitable to retired/semi-retired, experienced individuals. One quarter of HAs did not have maximum terms for Chairs and a small number of board positions were not rotated despite DSD guidance for boards to publish policies for the 'length and number of terms of appointment'. Based on this evidence it would be useful for boards to consider board processes and pathways e.g. via committee chairs to Board Vice-Chair.

2.2.6 Board Size

The average board contains 11 BMs. This is consistent with DSD and NHF guidance on board size. The Inside Housing survey[33] of HAs in England shows that boards have shrunk by 10% since 2010/11. Smaller boards tend to comprise 'professional' interests and in contrast larger boards have a greater tendency to comprise 'stakeholder' or 'representational' interests and thereby better serve the representation and legitimacy roles of governance. Organisational size is perhaps the most important indicator that affects organisational structure, such as board governance[34]. The Walker Review[35] (2009) found that when boards contain more than 12 members it can be more difficult to maintain effective working relationships and deal with complex issues. Smaller boards can operate in a more focused and business like way, but may place less emphasis on keeping stakeholder issues on board.

Boards had typically between 1-3 vacancies. It remains unclear whether this was due to a desire to have smaller boards or due to difficulties in recruiting the right candidates, or a combination of both.

2.2.7 Skills, Training and Development of Boards/Board Members

The DSD specifies the need for a diverse range of skills, knowledge and experience to effectively run HAs. BMs are increasingly well qualified with a wide range of qualifications represented across boards. However, one quarter of CEs believed that their board did not contain people with the required skills, knowledge and background. Skills lacked included experience of being a tenant; marketing / PR; Computing and I.T.; Surveying; Architecture; Legal and Personnel/HR. Some of these skills gaps may be filled through use of consultancy services, existing board vacancies or through co-opting experts on to sub-committees/boards.

Evidence shows that effective BMs exhibit three unique types of competency[36]: cognitive intelligence, emotional intelligence and social intelligence, with the latter being important for teamwork and collective decision-making. Highly effective members exhibit all three (with some evidence suggesting women often exhibit higher levels of emotional intelligence). Members who are only strong in cognitive competency may be less effective in their board roles. HAs' informal recruitment techniques based on professional networks can also prevent assessment of softer skills that are needed for effective board membership and contribution.

During the workshop stakeholders reported a self-awareness and receptiveness to training, especially from younger/recent BMs. However, the survey indicated that one quarter of BMs do not participate in training. It was suggested training programmes need to be bespoke and responsive to individual BM needs and organisational context rather than generically focused.

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[33] Inside Housing (2014) Board games for housing associations. Available from: http://www.insidehousing.co.uk/home/analysis/board-games-for-housing-associations/7005174.article. Accessed 24th October 2014

[34] Cornforth, C. & Simpson, S. (2002). Change and continuity in the governance of nonprofit organizations in the U.K.: the impact of organizational size. Nonprofit Management and Leadership, 12(4), 451-470.

[35] Walker, D., (2009) *A Review of Corporate Governance in UK Banks and other Financial Industry Entities* (online). London: HM Treasury.

[36] Balduck, A. L., Van Rossem, A., and Buelens, M. (2010) "Identifying competencies of volunteer board members of community sports clubs", *Nonprofit and Voluntary Sector Quarterly,* 39, 2, 213-35.

Away days, seminars and training courses were cited as the most acceptable methods of training. Both NIFHA and consultancy 'Leading Governance' had provided bespoke training sessions on aspects of board governance. However, training to date has tended to focus on knowledge and technical skills at the expense of softer skills such as teamwork and collective decision-making. The training gaps identified by both surveys and stakeholder engagement included changes to the policy/political environment; asset management; risk assessment and management; strategy; board teamwork; and teaching BMs how to challenge effectively. Boards are to an extent personality led and it takes work to make them gel effectively.

2.2.8 Board Reviews and BM Appraisals

The DSD Governance Guide clearly lays out an expectation around annual appraisals for the board and BMs. These reviews are expected to assess board performance, effectiveness of board relationships, performance of the Chair, board composition, skills and individual contributions, and the organisation's ability to recruit and retain the balance of members it needs. HAs are also expected to produce a governance improvement plan to address any weaknesses.

It became evident during stakeholder interviews that greater credence is now being attached to board reviews and BM appraisals. However, it is still not a feature of every HA and according to almost one quarter of CEs, BM performance was not appraised. Some expressed an opinion that appraisals are an unnecessary task for what is a voluntary undertaking. Where individual BMs appraisals were conducted these were usually done by the Chair although it was reported that some did not feel comfortable with or equipped to appraise the contribution made by their peers.

Only limited information was collected on the nature and methods of appraisal used, but the predominance of appraisals conducted by the Chair indicated that this is seen as a 'top down process' that may reinforce the emphasis on hard skills noted above. Alternative methods of board appraisal can place a greater emphasis on 360-degree group performance and softer skills such as team working and on 180-degree assessments of the Chair and CE performance by ordinary BMs.

2.3 Conclusions and Recommendations

Conclusions

- Sector governance is not currently reflective of NI society. There is no optimal board composition because each organisation is unique and has different requirements according to the organisations' individual character and its environment. However, there is a clear business case for enhancing diversity in leadership such as improvements to governance and risk management; enriched decision making and problem solving; enhanced organisational performance and better retention and recruitment levels.

- The methods used during the recruitment process are critical to attracting new members and also for enhancing diversity. CEs have found it difficult to recruit new BMs over the last 24 months and informal approaches to board recruitment predominate. This results in de

facto exclusion of other potential candidates and unconscious bias towards already under-represented groups.

- Tenant board membership is variable, but there is strong support among BMs for more tenant positions on boards. The new regulation framework will require boards to pay more attention to the role of tenant involvement in formal decision-making processes.

- CEs were more inclined to favour BM payment than were BMs. The evidence also discerned a greater appetite for board payment by larger HAs than by smaller community based HAs. A quarter of BMs have been in post for over 9 years, some for over 20 years. The '9 year rule' is not supported by most CEs but a number believe it to be essential.

- There is a greater focus on harder, technical skills at the expense of softer board skills like team working.

- Boards contain on average 11 members. BMs bring a wide range of skills and experience, including other board and voluntary roles although there are some gaps in skills mix. Levels of qualification have increased since 2000. Board and BM appraisals are still not a feature of every organisation.

Recommendations:

1. All housing association boards should set **aspirational targets for enhancing board diversity**. Boards should collaborate with agencies that work with groups under-represented in sector governance to help achieve this.

2. All **board recruitment should be open, transparent and externally advertised**. Transparent and external recruitment processes can help address the issue of diversity and lead to a wider pool of candidates applying for board positions.

3. The 'Tenant Voice' should be heard at both strategic and operational levels within housing associations. Boards should **develop effective organisational or partnership based tenant involvement infrastructure to provide accountability. All housing associations should also make provision for at least one tenant directorship on their board.** This will ensure enhanced board legitimacy and accountability but may require time, investment and training.

4. **All housing associations should have the option to remunerate board members.** This will help to create a level playing field for housing associations in what is a competitive market for non-executive talent and to reflect the complexity of the role.

5. **All housing associations should introduce at least annual one-to-one board member appraisals and biannual independent board reviews** to assist with performance

reviews and board reappointment, robust succession planning, identification of training requirements and skills gaps on boards.

6. **There is a need to balance the emphasis on individual board member expertise with an equivalent emphasis on teamwork and collaboration.** Good boards are successful because they work together effectively. The ability to listen and to collaborate is as important as the ability to express opinions and demonstrate expertise.

3. How are Housing Associations Governed in NI?

3.1 Introduction

In this section we explore the ways in which boards are involved in strategy and how boards perform. While HA boards are quite business focused and orientated towards strategy, there is scope to move to a greater emphasis on business performance rather than simply conformance with regulatory standards. While there was a reasonable degree of self-confidence about how boards perform, there was also scope for sharing good practice across the sector and for greater use of peer mentoring within boards. Boards were considered to make good use of business strategy techniques such as PEST and SWOT and to approve the risk register and be aware of performance improvement. Many BMs had experience of boards in other sectors and there appeared to be scope to draw on this experience more and in particular to increase ownership for strategy by boards.

Relationships between executives and non-executives are at the centre of organisational governance. Relationships between Chairs and CEs are often regarded as being key to effective governance. Unitary boards may include a small number of executives as equal members with non-executives, thereby avoiding artificial divides in the strategy process, but altering accountability structures and separation of powers in traditional HA boards. This expansion of this model to NI HAs was not favoured or considered appropriate by stakeholders.

Life outside the Boardroom is an important but often overlooked aspect of corporate governance. Gaining the right level of involvement requires a mix of formal and informal relationships. Our evidence gathered information about the nature and extent of such contacts. For most BMs, contacts with senior staff and other BMs occurred monthly or quarterly and was predominantly linked to formal meetings. It appears that more frequent and less formal interaction with staff at different levels in the organization could give boards a better feel for the business and allow skills and knowledge to be applied more effectively. However, this risks blurring accountability and increasing 'interference' in operational matters.

Boards are about collective decision-making and are therefore likely to involve disagreement, at least at discussion stage on key strategic issues. There is a need to accept collective responsibility for decisions that BMs individually disagree with. Evidence found reports of such conflicts to be quite limited in HAs (reported by less than 20% of respondents). Disagreements between non-executives were more common than between non-executives and the executive team. The main topics BMs disagreed on were strategy, constitutional and legal issues and specific contentious decisions. The only significant area of disagreement between boards and staff was over business development and service quality. There may be a relationship between areas of dissension and skills gaps.

Managing accountability is a key function of governance and this involves deciding to whom HAs should be accountable. BMs were clear that their most important accountabilities were

internal, to the Chair, to the mission and to the tenant, followed by external accountability to the DSD. Accountabilities to local communities and to private lenders were seen as considerably less important. The most effective ways of providing accountability were seen as delivering on promises and providing regular information, with much less importance placed on consultation, inspection and duties to shareholders. The least valued accountability devices were league tables.

The high importance given to accountability to tenants is supported by a wide range of accountability methods beyond board membership. The majority of BMs believed that tenants should sit on boards, however, only half of boards had tenant members and a third of CEs reported that their board does not currently engage with tenant structures.

Multi-level governance becomes increasingly important as HAs grow through group structures and partnerships. There is a potential for conflicts between different levels of governance in groups. These may include issues of control and influence exercised by the parent, potential loss or dilution of local power and local identity, a lack of clarity around roles and relationships, and issues around internal control and audit. These issues need to be reflected in accountability arrangements and BMs need to understand the implications for their roles. There can be no one-size-fits-all governance model for the sector since HAs vary considerably in scale and complexity and the role of BMs therefore also varies considerably.

3.2 Survey Findings

3.2.1 Board Strategy and Performance

There was general support from the BMs that the strategic role of boards and holding the organization to account works well in practice. BMs were slightly more likely to believe that board decisions were already taken by staff but generally felt that relationships with staff were good. Boards received good quality information and were not dominated by executive and staff agendas. Many CEs and BMs were unsure if performance would be improved by executives becoming full members of boards and there was also a high degree of uncertainty on whether BM payment would enhance performance. CEs concurred with BM views on most points but were much more likely to believe that payment would improve performance.

Figure 8: BM and CE views on aspects of Board Performance

3.2.2 Methods Used to Aid Board Performance

Both BMs and CEs reported on a range of methods used to aid board performance which included: induction training; skills audits; appraisals; person specifications; ongoing training / away days; maximum length of service; and expertise and advice provided by staff. BM mentoring was less frequently used and BMs reported less use of person specifications than did CEs. Additional comments stated that specifications were set out on the roles of boards and committees; that attendance at conferences was an aid to board performance; and that although a nine year term has been introduced, the DSD has granted extensions where mergers were in progress.

Figure 9: Methods used to aid board performance as reported by both
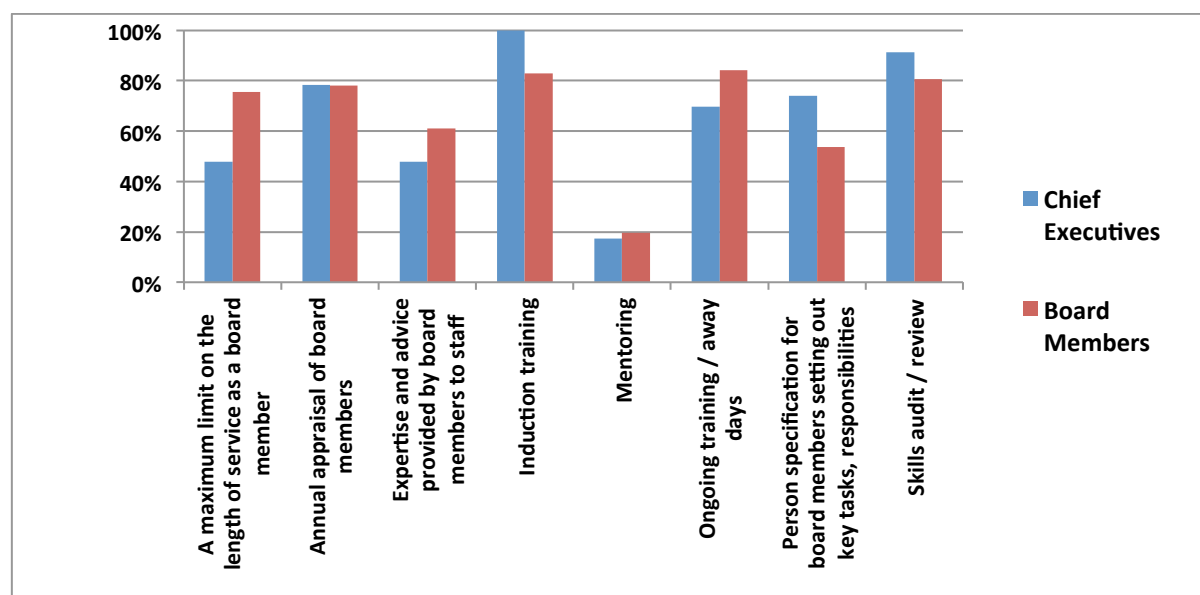
Figure 10: Board Involvement in Performance Improvement

Is the board involved in performance improvement systems? (e.g. such as IIP)

39.1%

60.9%

Yes

No
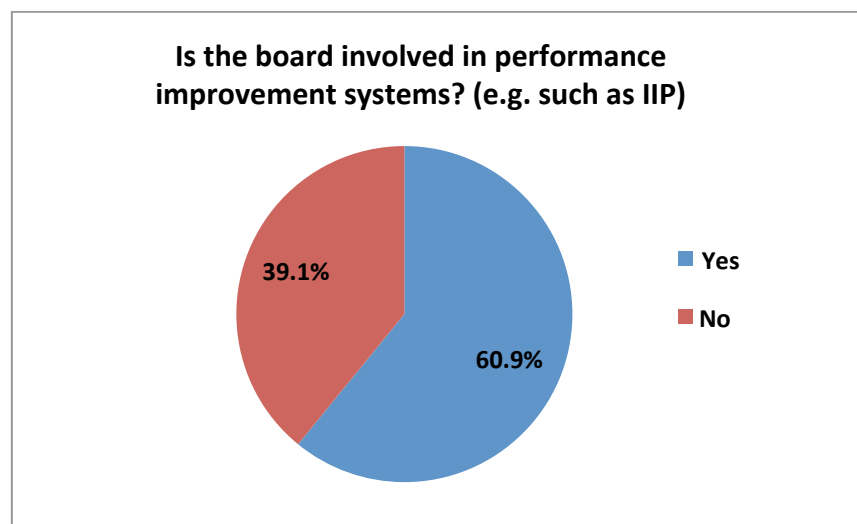
Effective Aids to Board Performance

Both BMs and CEs were generally happy with the advice and expertise provided to the board. BMs were slightly more likely than CEs to view maximum lengths of tenure as an aid for performance. CEs showed slightly more interest in BM appraisals and there were high levels of agreement that induction training, on-going training and board away days were considered effective aids to board performance. The key finding in this section is that more than half of BMs and over half of CEs reported that 'mentoring' was an effective or very effective aid to board performance despite only 17% of CEs using it.

Aids to board performance

- Forty-four per cent (44%) of BMs considered *'a maximum length on service as a board member'* to be effective or very effective; (36%) neither effective nor ineffective and (20%) ineffective or very ineffective. Thirty per cent (30%) of CEs considered it to be an effective or very effective aid, (52%) neither effective nor ineffective and (17%) ineffective or very ineffective.
- Three-quarters (75%) of BMs thought *'annual appraisal of board members'* was effective or very effective; (22%) neither effective nor ineffective and (3%) ineffective. Eighty-three per cent (83%) of CEs considered it as effective or very effective; (17%) thought appraisals were neither effective nor ineffective.

- Eighty-nine per cent (89%) of BMs considered *'expertise and advice provided by staff'* to be an effective or very effective aid; (10%) thought it was neither effective nor ineffective and (1%) thought it was ineffective. Ninety-five per cent (95%) of CEs considered it to be effective or very effective.
- Ninety-five per cent (95%) of BMs believed *'induction training'* to be effective or very effective; (5%) thought it was neither effective nor ineffective. All CEs agreed (100%) that induction training was an effective (52%) or very effective (48%) aid to board performance.

- Almost three-fifths (58%) of BMs thought *'mentoring'* was an effective or very effective; (38%) neither effective nor ineffective and (3%) ineffective. Over half (57%) of CEs considered mentoring to be effective or very effective and (43%) neither effective nor ineffective.
- Ninety-eight per cent (98%) of BMs felt *'on-going training / board away days'* were effective or very effective; (2%) neither effective nor ineffective. Ninety-three per cent (93%) of CEs believed these were effective or very effective and (7%) neither effective nor ineffective.

- Eighty-five per cent (85%) of BMs thought *'person specifications'* were either effective or very effective as did ninety-six per cent (96%) of CEs. A very small minority of organisations still do not use person specifications / role descriptions.
- Eighty-eight per cent (88%) of BMs thought *'skills audits/reviews'* were effective or very effective; (12%) neither effective nor ineffective. Similarly, (87%) of CEs felt they were effective or very effective.
- Sixty-five (65%) of CEs stated that meeting BMs from other sectors was effective or very effective; (35%) neither effective nor ineffective.

Figure 11: Board Members on Effectiveness of Board Performance Aids
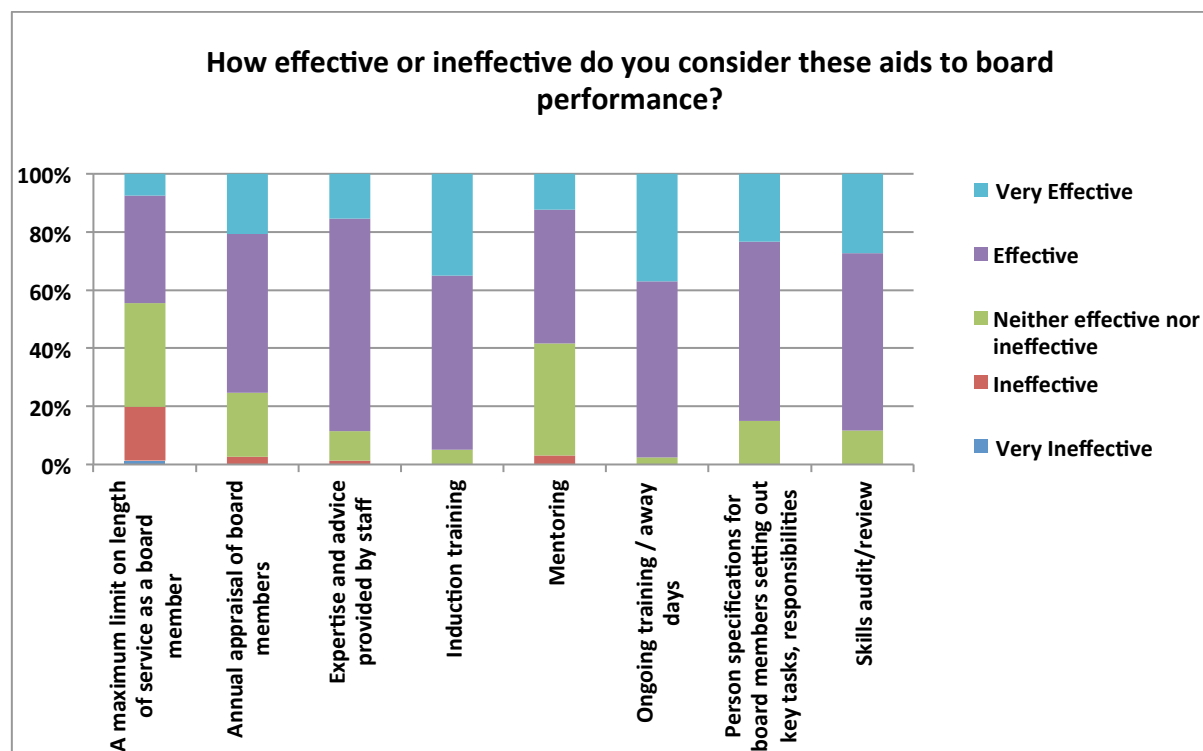
Figure 12: Chief Executives on Effectiveness of Board Performance Aids
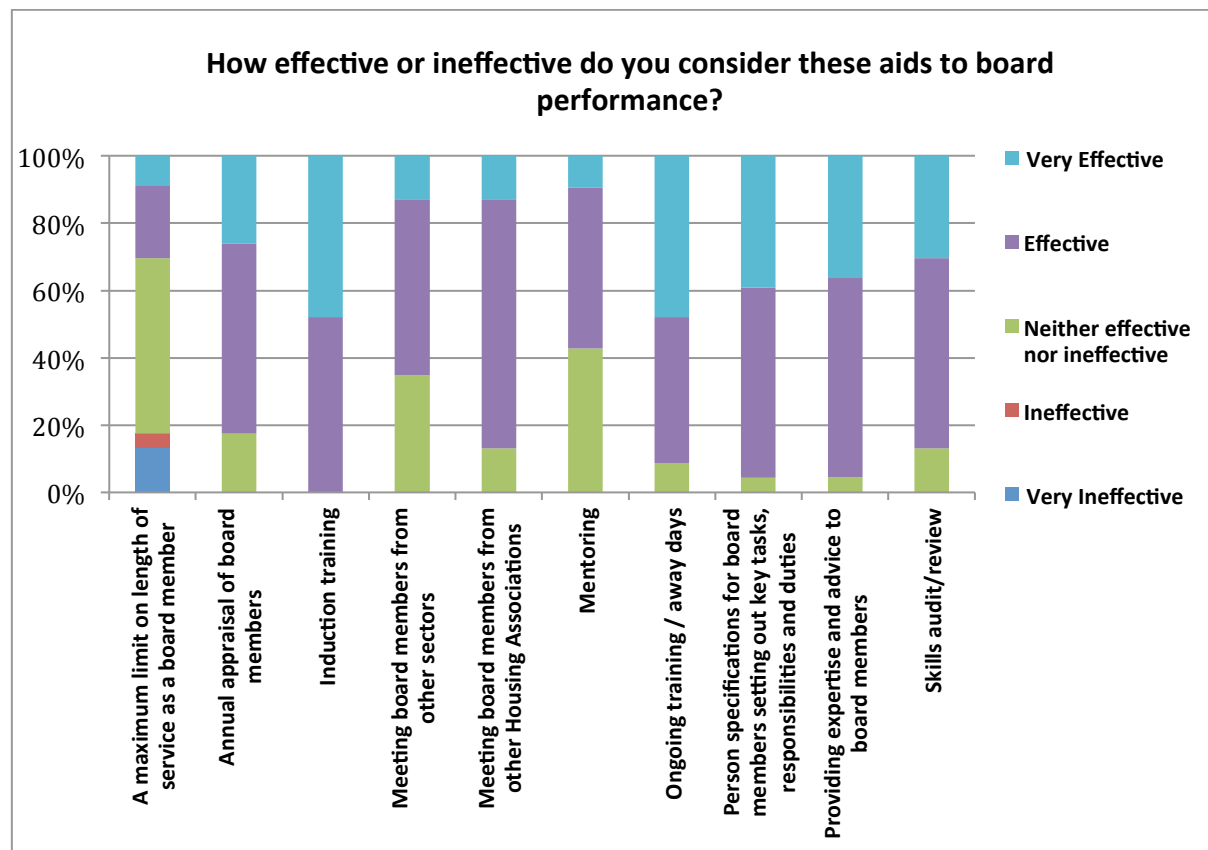
Performance Compared to other Boards

BMs who were company directors (either executive or non-executive) were asked to compare the board of their HA to that of other boards they dealt with.

- Ninety-two per cent (92%) thought that HAs was more efficiently run.
- Eighty-four per cent (84%) thought HA boards were more formal.
- Eighty-one (81%) felt that HAs were more concerned with social purposes; (19%) less concerned.
- Almost three-quarters (72%) believed HAs to be more concerned with business success.
- Sixty per cent (60%) of BMs stated they had more opportunity to influence.
- Eighty-four per cent (84%) felt more ownership for the organisation.

Figure 13: Performance Compared to other Boards

How would you compare the board of the Housing Association to the other board(s) you have dealings with?
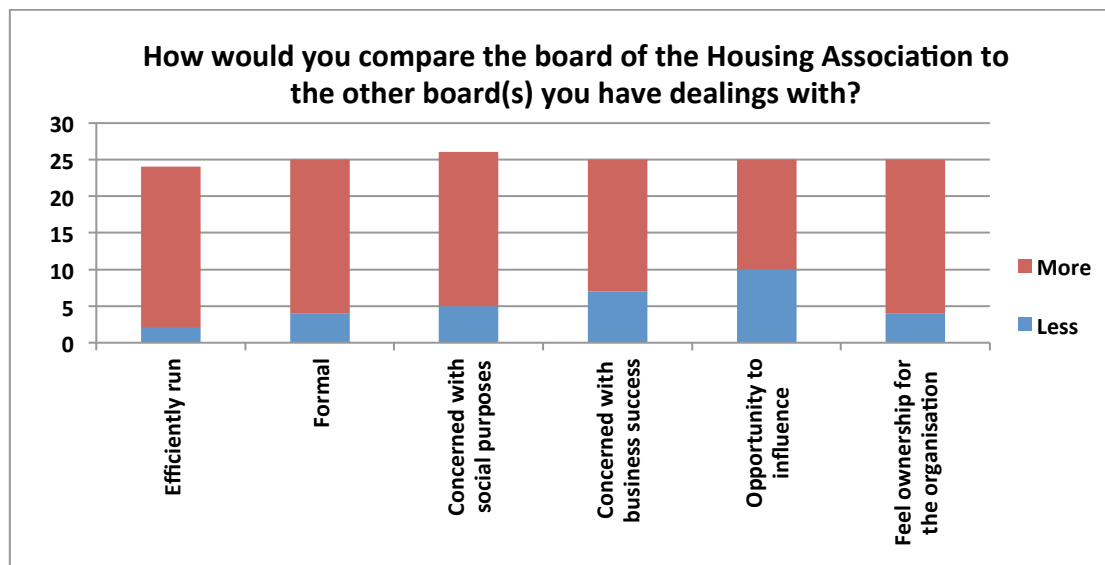
Strategic Planning

The vast majority of CEs reported using business-planning techniques such as PEST or SWOT to review corporate strategy. Only three CEs reported not using specific business planning techniques.

- All CEs reported presenting reports to the board showing regular monitoring of progress. However, three CEs (13%) stated that their reports did not show targets measured against KPIs.
- Sixty-one per cent (61%) of CEs reported board involvement in performance improvement systems (e.g. IIP).
- All CEs (100%) reported board approval of organisational risk registers.
- Ninety-one per cent (91%) stated that their boards considers the wider political / policy landscape for housing. Two CEs stated their boards did not.

CEs listed a number of standards which were used to measure governance. These included: NHF Code of Governance, DSD Governance Guide, Institute of Directors (IoD), Code of Governance for the Voluntary Sector (NICVA), Nolan, and CIH best practice. The most commonly cited were the DSD Governance Guide and the NHF Code of Governance.

3.2.3 Executive/Non-Executive Roles and Relationship

Research indicates that informal contact between executives and non-executives signifies organisational commitment and enhances knowledge. This in turn is likely to increase perceived

credibility of BM contribution and the ability to assess executive talent[37], whilst on the other hand reducing information asymmetry between staff and BMs[38].

Relationships between executives and non-executives are at the centre of organizational governance and these relationships are illuminated by comparison between the two surveys as we gathered evidence on the nature and frequency of contacts between CEs and boards.

- Nine per cent (9%) of CEs met with Chairs on a daily basis; (70%) on a weekly basis and (22%) on a fortnightly basis.
- No CE went beyond one month before meeting with the Chair outside of formal board meetings.
- CEs met with Chairs of sub-committees on a fortnightly (35%) or monthly (48%) basis; (13%) met every three months and only (4%) weekly.
- The most regular occurrence between CEs and other BMs was on a monthly basis (61%).

Figure 14: Chief Executive Contact with others Outside Formal Board Meetings
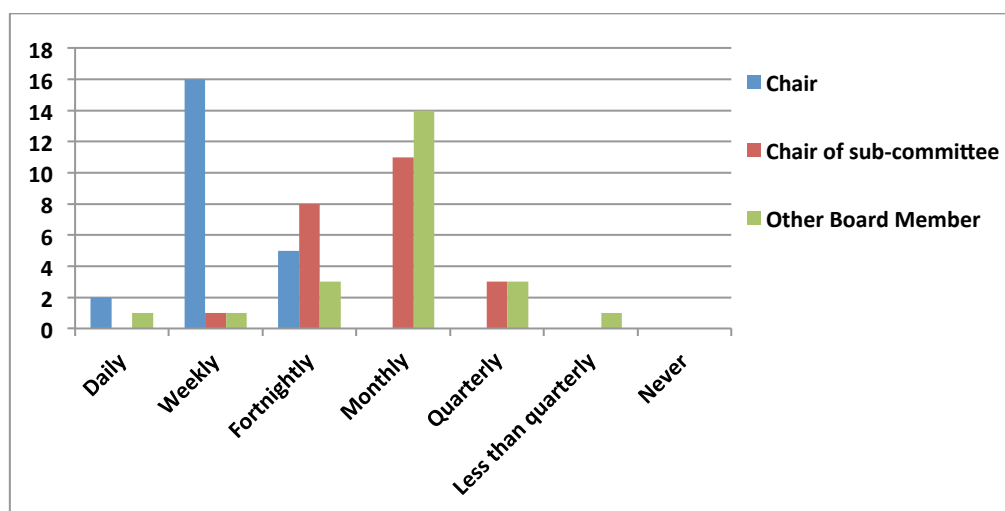
3.2.4 Life outside the Boardroom

We asked similar questions about frequency of personal contact from the perspective of BMs. Personal contacts may occur at sub-committees, at informal meetings within or outside of the organisation. These questions tried to get a feel for the extent of BM personal contact with CE, Chair and other BMs outside of the Boardroom. A similar question focused on informal contact between CEs and Chairs, sub-committee chairs and other BMs. The pattern that emerged was varied with a small minority of BMs having very frequent personal contact on a weekly basis, but most BMs having very little contact with the CE, Chair or each other outside of the Boardroom.

- BMs spent an average of 8 hours per month on HA business outside the Boardroom.

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[37] Mcnulty, A., Roberts, J. and Stiles, P. (2002) Creating Accountability within the Board: The Work of the Effective Non-Executive Director, A Report for the Review of the Role and Effectiveness of the Non-Executive Director Conducted By Mr. Derek Higgs, Leeds University Business School; Judge Institute of Management, University Of Cambridge.
[38] Long, T. (2008) Diving for Pearls: the importance of board induction and re-induction. *International Journal of Business Governance and Ethics.* (4) 1 pages 40-50

- Nearly three quarters of CEs said they met their Chair at least weekly; nine per cent (9%) met daily. There were slightly less frequent but regular contacts with sub-committee chairs. All of these contacts were related to formal business of the HA.
- One-fifth of BMs (20%) stated they met with the CE on a **weekly basis**. One-tenth of BMs (10%) also stated they met with other senior staff on a weekly basis.
- Personal contact outside of board meeting was most prevalent on a **monthly basis**. Thirty-eight per cent (38%) of BMs met with the chair; (34%) met the CE; (34%) met with other BMs; (29%) met with senior staff; and (41%) met with the chair of a sub-committee. The most regular occurrence of meetings outside of board meetings were between BMs and committee chairs.
- One fifth (21%) of BMs stated that they met the chair on a **quarterly basis;** (19%) met with CE; (23%) met with other BMs; (26%) met with other senior staff; and (26%) met with the chair of a sub-committee.
- Eleven per cent (11%) of BMs never met with the Chair outside of formal board business; only (2%) never met with the CE; (6%) never met with other BMs; (9%) never met with other senior staff; and (8%) never met with the chair of a sub-committee.

Figure 15: BM Contact with others outside Formal Board Meetings
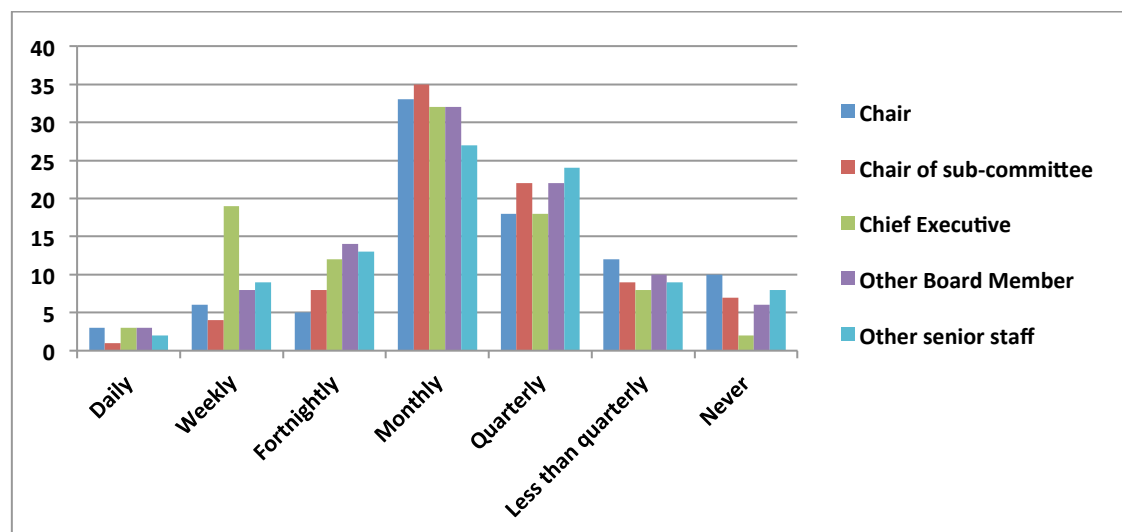
3.2.5 Managing Tension and Conflict

Boards are about collective decision-making and are therefore likely to involve disagreement, at least at discussion stage although there is a need to accept collective responsibility for decisions that BMs individually disagree with. It is therefore surprising that two thirds of BMs in their time on the board and 100% of CEs had experienced no dissension between BMs and staff. Much may depend on how the term dissension is understood, but on the surface the results suggested a very strong team view of boards and perhaps a narrow range of perspectives present. It is also possible that those BMs most in disagreement with the Chairs, CE and fellow BMs may have voted with their feet as board sizes reduce leaving more conformist views amongst those remaining. It appeared that where dissension did exist between BMs this correlated to some areas of identified training gaps; and where it existed between BMs and staff, this correlated to some skills gaps lacked by boards.

- All CEs reported that there was no dissent within the board or between BMs and staff.
- Of the ninety-five BMs who responded, sixty-seven per cent (67%) experienced no dissension.
- One-fifth (21%) of BMs experienced dissension between BMs and almost one-fifth (18%) experienced dissension between BMs and staff.
- Six per cent (6%) experienced both dissension between BMs and between BMs and staff.
- Relationships can be a three-stage continuum of consensus, difference and dissent. While self-reported dissension was limited to a third of BMs, the kinds of issues most likely to result in dissension were reviewed.

Figure 16: Board Members on Main Causes of Dissension
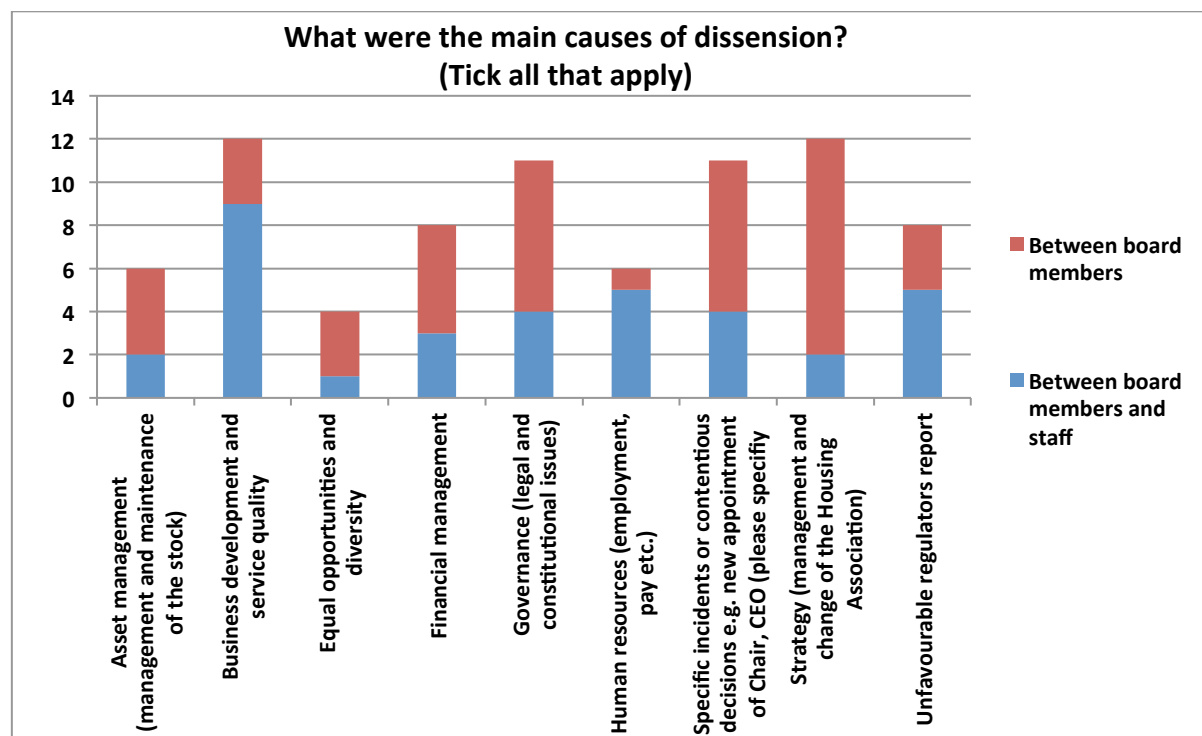
- The main cause of self-reported dissent experienced by BMs amongst themselves was in relation to strategy (management and change of the association). This was also the biggest area of training required as identified by BMs.
- BM dissension also concerned governance (legal and constitutional issues), specific incidents or contentious decisions (e.g. new appointment of chair; CE) and financial management. There was a close correlation between the areas of dissension reported between BMs and key areas of training identified by BMs in relation to strategy (management and change), governance, finance and asset management.
- A smaller number of BMs cited dissension between BMs in areas of business development and service delivery; equal opportunities and diversity; unfavourable regulators reports; and around human resources (employment pay etc). These were areas identified as training needs by BMs.
- BMs reported greater dissension between BMs and staff in the areas of business development and service quality; human resources (a skills gaps identified by one-quarter of

CEs and the least commonly reported training course provided to BMs) and regulators reports.

- Other causes of dissension identified by BMs included: conflicts of interest not being raised at an appropriate time; proposed appointments not being favourably received by the regulator; severing working relations with a partner organisation causing problems with the regulator; tensions about the role of sub-committees; complaints procedures; post-merger difficulties regarding certain board positions; and attendance at AGM of non-voting members.

3.2.6 Managing Accountability to Internal and External Stakeholders

BM considered themselves most accountable to the Chair and other BMs and to the organizational mission statement/values/ethos. They considered themselves least accountable to founding members, the NIHE, the NIAO and local community. The most effective methods reported by BMs for providing accountability included delivering on promises, providing regular information and prior engagement/consultation with tenants/residents. This was reinforced by the fact that 70% of boards reported engaging directly with tenant involvement structures. BMs felt that publication of league tables, prior consultation with private lenders and prior consultation with community / elected representation were less effective means of providing organizational accountability.

Figure 17: Board Members' views on Accountability
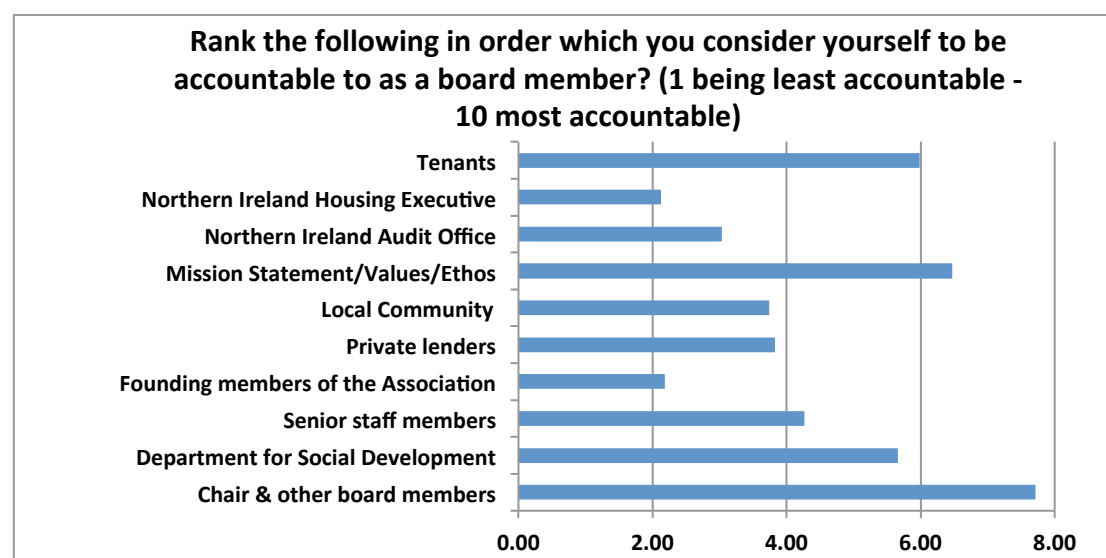
3.2.7 Tenant Accountability and Involvement in Governance

A wide range of connections were reported between boards and tenant involvement structures beyond tenant directorships including regional focus groups feeding into sub-committees; housing advisory groups and tenant involvement registers; informal visits to residential supported and sheltered accommodation; tenant advisory groups; partnership forums; BM attendance at some resident forums; annual visits to tenants; contact through tenant compacts and through contact with local community groups. Thirty per cent (30%) of boards however do not engage directly with tenant involvement structures – it remains unclear if this is a decision

taken by boards or due to difficulties around stock dispersal and difficulties around creating and sustaining tenant structures.

- Seventy per cent (70%) of CEs reported that boards directly connect with tenant involvement structures in their organisation.

Figure 18: Board Engagement with Tenant Involvement Structures

Does the board connect directly with any tenant involvement structures in your organsiation (e.g. tenant panels, scrutiny groups, residents associations)

30.4%

69.6%

Yes   No
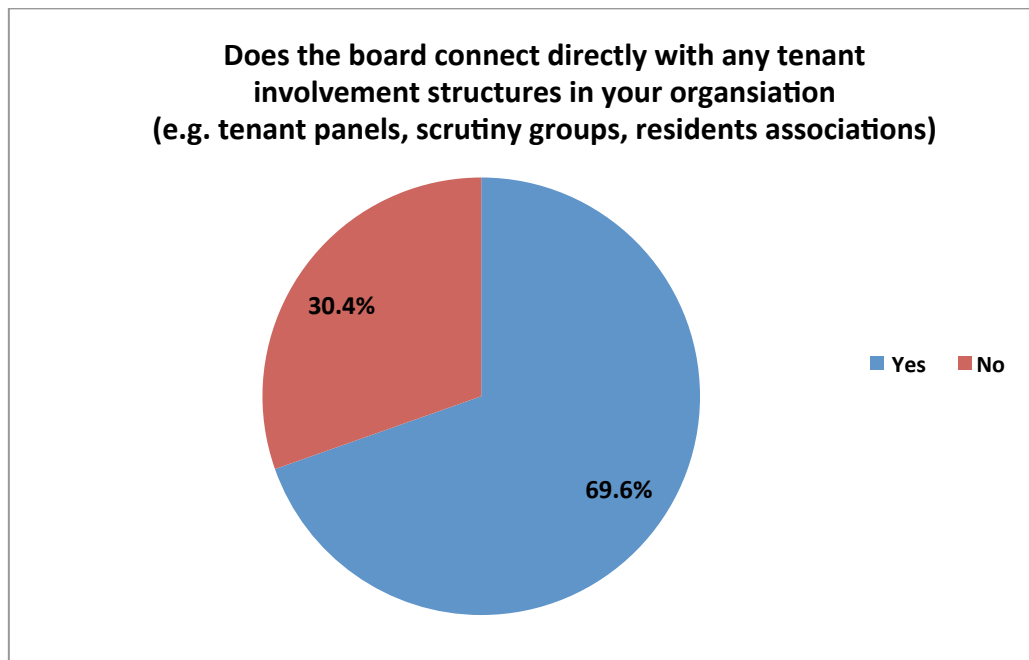
3.2.8 Multi-level Governance: Group Structures and Partnerships

In order for group structures to work effectively it is essential that there is transparency, openness, clarity and principally trust between the parent and subsidiary boards.

- Thirteen per cent (13%) of BMs sat on other boards related to the HA. All stated that this dual role did not cause any difficulties.

Figure 19: Board Members on Subsidiary / Partner Boards

Are you on the board of any organisation related to the Housing Association e.g. a subsidiary or a partner organisation

12.9%

87.1%

Yes   No
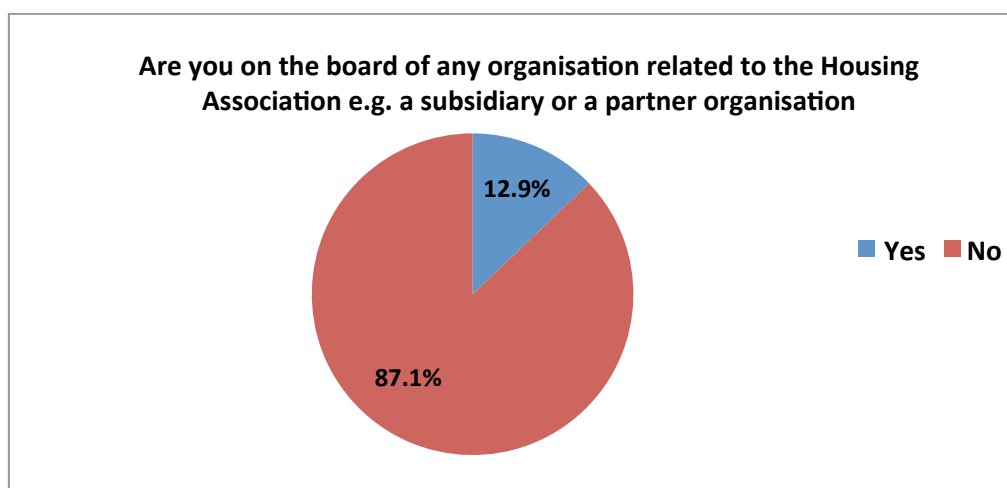
3.3 Discussion and Implications for Governance

3.3.1 Board Strategy and Performance

Different theories of corporate governance vary in the importance they attribute to boards conforming with external expectations or performing in meeting internal goals of the organization. Agency theories (Jensen and Meckling, 1976[39]) emphasise the role of boards in ensuring that the organization acts in the interests of its owners and of their resources. In contrast stewardship theories (Donaldson and Davis, 1991[40]) focus on the role of boards in driving forward organizational performance by adding value to strategy and decision-making. While conformance approaches are likely to be risk averse and have constant eye on external expectations, performance approaches are based on a strategic vision and are more forward thinking. The recent literature on HA governance in England tends to emphasise the development of an independent strategic focus on performance in contrast to a more cautious focus on regulatory compliance that was dominant in earlier periods.

In practice it can be difficult to differentiate clearly and easily between strategy, policymaking and operational day-to-day management. Greer and Hoggett[41] (1997) identify two key problems with boards' strategic contributions to organisations. The first concerns the fuzziness of boundaries between operational and strategic attention. The second concerns the definitional problem between policy and strategy. Strategy tends to derive from a discourse of how organisations position themselves competitively while policy stems from a public purpose discourse, giving substance to collective values. It is not only that both can be hard to distinguish but HA board understanding of strategic issues may only come from exposure to operational detail. This is where problems may arise from recruiting BMs from exclusively outwith the sector and where board mentoring may be beneficial. When boards have no or little operational understanding of the business, issues can arise. For example, the board of a British public company recently received criticism for lacking in domain knowledge[42]. Despite directors having a wide range and impressive set of skills, they were not relevant to the business. Generic skills alone are not sufficient. If boards lack familiarity or understanding of business operations it is more difficult to interrogate and challenge executives.

Board processes and policies consume on average 9 hours per month (in HA meetings). In order to make an effective strategic contribution boards also need to create and protect space to focus on strategic issues. Legal responsibilities and regulatory requirements on boards can accentuate compliance roles, the stewardship of public funds, the protection of assets and mission accomplishment. To date, the compliance role of HA Boards has dominated not because

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[39] Jensen, M. and Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3: 305–360

[40] Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. Australian Journal of Management, 16: 49-64.

[41] Greer, A. and Hoggett, P. (1997). Patterns of governance in local public spending bodies. International Journal of Public Sector Management, 3: 214 - 227

[42] Financial Times (2014) Tesco's board is seriously lacking in retail experience http://www.ft.com/cms/s/0/2c0f73a2-4245-11e4-9818-00144feabdc0.html#axzz3nIjtpp16 (accessed 5th January 2015)

of a lack of trust of staff performance but due to the fear of not adequately adhering to legal duties and regulatory stipulations. Workshop participants felt that HA Boards needed to have greater understanding of risk, and provide more clarity on organisational risk appetite. Risk aversion is widespread in NI HAs and there was consensus that boards need to move beyond a conformance approach to board business to an approach that encourages debate about how social purpose can best be achieved in addition to monitoring strategy development and delivery. Optimism was also expressed that the DSD's new regulatory framework[43] would underpin and inform a shift from conformance to performance-based approaches. There is no homogenous model as boards strive to focus more on performance; rather it is for each organisation to develop approaches appropriate for them.

Strategic management also relies on having strategic and governance experience. HAs in NI reported strengths in both these areas. However, there are challenges with recruiting new members and evidence suggests that the pool of expertise can be limited in small communities[44], perhaps making it more difficult for small community based HAs to attract high calibre individuals. Workshop delegates emphasised the importance of board processes in helping to provide a clear focus for the board - to avoid operational drift - which includes providing appropriate amounts of timely information to the right people, as well as meeting in environments that enable effective decision making.

3.3.2 Executives on Boards

CE-Chair Relations and Boundaries

The Chair-CE role is pivotal. Harrison et al[45] (2012) suggested that it is the softer inter-personal and leadership skills that distinguish effective from ineffective chairs. Effective chairs were better at managing relationships, and perceived as being more socially aware. One the one hand, these characteristics may be better judged by existing members (board and staff) through informal recruitment practices, but on the other, this approach to recruitment is likely to weaken board diversity. The same research found that effective chairs were fair, impartial, open to new ideas, focused on organisational goals, provided autonomy and independence for the board and CE, and involved the board in team building behaviours by valuing members and creating space for issues to be discussed. Given the importance of this role, it is imperative chairs receive feedback, formally through a 360 degree exercise, and informally via feedback from other BMs and the CE. Chairs and those who become chairs need opportunities for training and development to keep up to date with field developments and to enhance chairing and leadership skills[46]. One study described the CE-Chair relationship as 'more like a marriage'[47].

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[43] Department for Social Development, (2015). *Proposals for a new Regulatory Framework for Social Housing Providers in Northern Ireland.* (online). Belfast: DSD.
[44] Edwards, C. and Cornforth, C. (2003) 'What Influences the Strategic Contribution of Boards? in Cornforth, C. (ed.) The Governance of Public and Non-profit Organisations: What Do Boards Do? London: Routledge.
[45] Harrison, Yvonne; Murray, Vic and Cornforth, Chris (2012). Perceptions of board chair leadership effectiveness in nonprofit and voluntary sector organizations. Voluntas: International Journal of Voluntary Nonprofit Organizations, 24(3) 688-712.
[46] ibid

A separation of functions between BMs and executives based upon the former as strategic decision-takers and the latter as implementers is one-dimensional and antiquated in a modern managerial culture[48]. This view has been underscored by the move to include senior members of executive teams on boards. Senior executives made reference to the changing business and financial models of HAs, the need to understand finance, treasury and risk management, and complex organisational group structures. This led to stakeholder discussions about the role of executives on boards to help improve understanding of these issues. Some stakeholders believed that executives on boards would create a culture of co-governance and ensure 'psychological' buy in of board decisions by executives. One CE of a large HA in Britain stated:

"The rationale is to almost embed (the CE) within the decision making process rather than coming with a set of cold recommendations. It also buys the CE more into the accountability process that the Board has. It is a very thin line because as CE you could take the view that I've made that decision already why would I wait on the board authorizing it? But - the logic of is for the CE and the board to work more collectively, because you are on the board as an executive and a non-executive. It is more to do with the psychological impact rather than the practicalities of it. I don't think you get different decisions but from the psychological context you can't side step out and say you aren't fully accountable"

One stakeholder believed that CEs should have a vote at the board table given that they are responsible for operations. On the other hand, others argued that if the CE has credibility with the board, his/her voice would be heard and not require a vote. The arguments against unitary boards (both executives and non-executives) are that it can create closeness of relationships, and that non-executives are expected to supervise and monitor executive members (although this can still occur when executives are not BMs) and if the CE dominates board business it may be counter-productive. Workshop participants were not convinced generally about the merits of executives sitting on boards.

3.3.3 Life outside the Boardroom

A contribution to strategy is considered an output of a board's involvement in an organization[49]. Gaining the right level of involvement requires a mix of formal and informal relationships and what happens formally at boards may be affected by interaction outside of board meetings. Creating and protecting space is critical if HAs are to address generative governance issues and to develop effective working relationships and teamwork.

"From the confines of the boardroom a director cannot hope to gain a firm grasp on the culture of a business, the calibre of its management or the opportunities and threats it is facing. And yet most boards seek to fulfil their role principally through attending a series of board meetings

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[47] Otto, S. (2003) 'Not so very different: a comparison of the roles of chairs of governing bodies and managers in different secotrs', from Cornforth, C. (Ed) 'The Governance of Public and Non-Profit Organisations: What do boards do?': London: Routledge.

[48] Edwards, C. and Cornforth, C. (2003) 'What Influences the Strategic Contribution of Boards? in Cornforth, C. (ed.) The Governance of Public and Non-profit Organisations: What Do Boards Do? London: Routledge.

[49] ibid

(notwithstanding the occasional away day and office or branch tour). We would advocate the Board draw on a wider set of tools beyond the board meeting and re-weight the time directors spend in Board meetings vs the time spent in the business (perhaps by work-shadowing), speaking to external stakeholders and participating in more board away days[50]"

Good 'board-staff' relations are critical for ensuring sound governance and are seen as central to organisational success. A principal concern underlying this relationship is at what stage the CE involves the board in decision-making. Early participation by boards provides greater opportunity to help shape issues; however, later involvement may feel like the board is being presented with a *fait accompli.*

The interdependence of this relationship emphasizes the need for mutual respect and trust with clear division of roles and responsibilities. Mole[51] (2003) argued that there is 'no one best way' to organize and manage board-CE relationships, advocating a 'horses for courses' approach appropriate to each organization. Murray et al[52] (1992) identified five distinctive patterns of Board-CE relations: CE-dominated; chair dominated; fragmented power; power sharing; and powerless. Styles of governance and relationships vary considerably between organisations; other variables which influence board-staff relationships include: the age and history of the organization, its size and purpose, the extent of professionalism and its stage of organizational development[53].

Legal responsibilities require BMs to act together and take decisions collectively. This presupposes that individual BMs have shared understanding and expertise in reaching those decisions. This is why board training on technical skills and softer skills is imperative for BMs. However, expertise is often unevenly distributed (particularly finance) with some members relying more on their more financially literate colleagues[54]. This creates a disparity and imbalance in the collective responsibility model. This same issue can occur when boards rely on professional expertise therefore it is important for boards to consider how these dependency relations can develop effectively within their organisations.

Workshop participants expressed different views on board-staff interaction outside the Boardroom. Some believed that BMs getting too close to staff as being problematic; that staff won't be clear to whom they report to; that boundaries need to be kept clear although it is appropriate to involve staff in board away days. A second set of opinions thought that it appropriate to allow boards, staff and tenants to engage, provided that such engagement is underpinned and governed by suitable protocols. A third opinion expressed was that it was

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[50] Board Intelligence (2012). Corporate governance and remuneration in the financial services sector. Treasury Select Committee.

[51] Mole, V. (2003) 'What are Chief Executives' Expectations and Experiences of their Boards?' in Cornforth, C. (ed.) The Governance of Public and Non-profit Organisations: What Do Boards Do? London: Routledge.

[52] Murray, V., Bradshaw, P., and Wolpin, J. (1992) 'Power In and Around Boards: A Neglected Dimension of Governance', Nonprofit Management and Leadership, 3, 2, 165 - 182.

[53] ibid

[54] Harrow, J. and Palmer, P. (2003) 'The Financial Role of Charity Boards', in Cornforth, C. (ed.) The Governance of Public and Non-profit Organisations: What Do Boards Do? London: Routledge.

helpful to allow access on an 'open door' basis and if anything untoward was to occur it could then be dealt with appropriately. Whilst there were different views on approaches to BM-staff interaction, there was consensus about the benefits of BM-staff interaction for those new to the sector. Benefits can include improved knowledge and familiarity of business operations by complementing standard induction exercises, ultimately avoiding a scenario whereby BMs lack 'domain knowledge'.

3.3.4 Managing Tension and Conflict

Confusion and conflict associated with the roles of BMs and executive staff may be less to do with understanding those roles and more to do with implementing them[55]. Given the fuzziness of boundaries mentioned above, the roles of boards and managers can be interlinked and interdependent leading Harris (1992) to conclude that the difficulties in separating these roles can create a source of ambiguity and conflict.

Trust is also a fundamental tenet of relationships within and between boards (with group structures). The vagueness of roles, complexities of organizational business, lack of trust and power imbalances can all lead to tensions and conflict within boards. The NHF[56] (2007) intimates that in an ideal world, relationships between boards of groups, mergers and alliances would encompass clarity of roles and responsibilities; openness – and an atmosphere where all members can freely express views on matters of strategic and operational importance; transparency – robust procedures that lead to clearly documented outcomes; and trust – a position that BMs arrive at when the feel comfortable in their relationship with one another, being content to exercise less internal control on the basis that they are working together for the same cause. In the HA sector, some newly appointed boards may therefore decide to work as a group to develop these key principles before establishing and delegating work to sub-committees.

Workshop participants discussed the survey results and felt that they could be slightly misleading, insofar as boards could well have differences, but these generally get resolved so that organisations move on without rancour. Others suggested that the reported lack of major dissension may relate to how boards have been composed and that challenge is more robust on boards that recruited openly. Careful meeting planning, inclusive chairing and engagement between meetings were cited as being important factors for managing board tension and conflict.

[55] Harris, M. (1992) 'The Role of Voluntary Management Committees', in Batsleer, J., Cornforth, C. and Paton, R. (eds.) Issues in Voluntary and Non-profit Management, Wokingham: Addison-Wesley.
[56] KPMG (2007) Groups, Mergers and Alliances. National Housing Federation: London

3.3.5 Managing Accountability to Internal and External Stakeholders

Engagement with tenant involvement structures

The further someone is from the chair and from the board, the less likely they are to perceive the impact[57]. By developing communication and involvement strategies, boards can keep residents/tenants informed of the work of the board and the decisions it takes. Workshop participants referred to the different formal and informal engagement mechanisms boards have with tenants and residents.

3.3.6 Multi-level Governance: Group Structures and Partnerships

The NHF outlines numerous issues that can arise from relationships between subsidiary/partner boards. These included control and influence exercised by the parent; a loss or dilution of local power; a potential loss of local identity; a lack of clarity around roles and relationships; and issues around internal control and audit. Research on HA governance in England has highlighted the conflicting logics that may affect parent: subsidiary relationships within group structures, particularly where streamlining is involved[58].

The HA sector in NI is diverse with different kinds of organisations at opposite ends of a spectrum from large social enterprises managing thousands of units to small community based organisations managing just hundreds. There are a range of organizational forms within the sector with varying degrees of local accountability, formality and professionalism. In a study on the role of boards in small voluntary organisations, Rochester[59] (2003) found that smaller organisations were heavily reliant on the work and commitment of a small number of key individuals. Smaller organisations were also more vulnerable and experienced more difficulties in adopting long-term perspectives, planning for the future, and developing and driving strategy due to being preoccupied with operational duties.

Another 'liability of smallness' related to challenges around accessing and securing expertise and skills, having limited scope and resources for employing specialist skills, and difficulties in accessing external sources of information, advice and training. Without delving into governance comparisons between larger and smaller HAs, prima-facie evidence suggests that smaller HAs experience problems with recruiting BMs and retaining commitment. The ability of smaller organisations to carry out governance functions is also more limited and there are difficulties with staff members finding time to provide boards with the support and servicing required for effective governance[60]. On the other hand smaller HAs are often more accountable to local communities and to their residents and can find it easier to attract people to their boards who

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[57] Harrison, Yvonne; Murray, Vic and Cornforth, Chris (2012). Perceptions of board chair leadership effectiveness in nonprofit and voluntary sector organizations. Voluntas: International Journal of Voluntary Nonprofit Organizations, 24(3) 688-712.

[58] Mullins (2013) The Evolution of Corporate Governance Structures and Relationships in English Housing Association. Chapter 12 in Cornforth C and Brown W (eds) *Nonprofit Governance: Innovative Perspectives and Approaches* Routledge.

[59] Rochester, C. (2003) 'The Role of Boards in Small Voluntary Organisations' in Cornforth, C. (ed.) The Governance of Public and Non-profit Organisations: What Do Boards Do? London: Routledge.

[60] ibid

are committed to the aim and values of their organisation. Research comparing large and small HAs and the impact of mergers in the Netherlands and England concluded that large and small HAs are generally trying to do different things in different ways and their performance needs to be assessed differently. Overcoming the liability of smallness requires an effort by all parts of the sector in order to protect its reputation.

Larger HAs produce relatively more new homes, seem to be more capable of cooperation with societal partner organisations and offer a wider variety of services. Smaller HAs perform relatively well in terms of service delivery and TP (as appreciated by tenants). In the Netherlands smaller HAs had more satisfied customers and tenant representatives, as well as lower operating costs but were not building many new homes. In England larger HAs had greater capacity to manage regulatory compliance, and the regulation system itself had been a major driver of the trend toward increasing scale[61].

3.4 Conclusions and Recommendations

- While HA boards are quite business focused and orientated towards strategy, there is scope to move to a greater emphasis on business performance rather than simply conformance with regulatory standards.

- While there was a reasonable degree of self-confidence about how boards perform, there appears to be scope for sharing good practice across the sector and for greater use of peer mentoring within boards.

- Unitary boards may include a small number of executives as equal members with non-executives thereby avoiding artificial divides in the strategy process, but altering accountability structures and separation of powers in traditional HA boards. There was no appetite amongst stakeholders to expand this model to NI HAs.

- Life outside the Boardroom is an important but often overlooked aspect of corporate governance. Gaining the right level of involvement requires a mix of formal and informal relationships. More frequent and less formal interaction with staff at different levels in the organization could give boards a better feel for the business and allow skills and knowledge to be applied more effectively, but risks blurring accountability and increasing 'interference' in operational matters.

- The survey found reports of such conflicts to be quite limited in NI HAs (reported by less than 20% of respondents). The main points BMs disagreed on were strategy, constitutional and legal issues and specific contentious decisions. The only significant area of disagreement between boards and staff was over business development and service quality. There may be a correlation between areas of dissension and skills gaps on Boards.

- The high importance given to accountability to tenants is supported by a wide range of accountability methods beyond board membership. However, the majority of BMs believe

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[61] Van Bortel G, Mullins D and Gruis V 'Change for the Better?' - Making Sense of Housing Association Mergers in *Journal of Housing and the Built Environment* vol. 25, no3, pp. 353-374

that tenants should sit on boards despite only half of NI HA boards currently have tenant BMs. One third of CEs reported that their board does not currently engage with tenant structures.

- Multi-level governance becomes increasingly important as HAs grow through group structures and partnerships. There is a potential for conflicts between different levels of governance in groups. These may include issues of control and influence exercised by the parent, potential loss or dilution of local power and local identity, a lack of clarity around roles and relationships, and issues around internal control and audit. These issues need to be reflected in accountability arrangements and BMs need to understand the implications for their roles.

- There can be no one size fits all governance model for the sector since HAs vary considerably in scale and complexity and the role of BMs therefore also varies considerably.

Recommendations:

7. HA boards should continually **develop understanding of risk oversight, determine risk appetite and align risk management with organisational strategy**.

8. **Appropriate support mechanisms** such as board mentorship programmes **should be introduced to provide guidance and support for new board members** during their first year of board service. Peer mentoring can help to reduce the learning curve and enable more productive engagement early in board tenure

9. Housing associations should **establish clear protocols that enable informal interactions between board members and staff to improve 'domain knowledge' of the business** which will help to inform strategic thinking.

10. Board and staff **roles and responsibilities should be regularly clarified and refreshed,** particularly in hierarchical structures where confusion and uncertainty might arise.

11. **HAs should provide regular forward-looking training programmes** such as financial management and strategic financial planning **in order to address variances in skills levels**.

4. What do Housing Associations Govern in NI?

4.1 Introduction

This section presents evidence on what BMs view as important roles for boards as a whole and for BMs individually, the types of activities they have engaged in in the previous 12 months, as well as the range of sub-committees which underpin the HA boards. The survey evidence tests the functions and issues considered to be important by boards and BMs with the range of functions and issues scrutinised by the DSD during inspections (through an evaluation of inspection reports). The subsequent sections focus on the internal workings and control procedures which are inspected by the DSD, namely: financial management, asset management, property development, housing management and corporate governance.

4.2 Survey Results

4.2.1 Role of Boards/Board Members/Sub-committees

- All BMs thought that 'ensuring the HA is financially viable' was very important.
- Ninety-seven per cent (97%) thought that 'determining the strategic objectives' was very important, (3%) fairly important.
- Eighty-six (86%) per cent thought 'monitoring the HA's performance against objectives' was very important, (13%) fairly important and (1%) neither important nor unimportant.
- Eighty-five per cent (85%) thought that 'ensuring the HA is involved in meeting housing need' was very important along with (14%) who thought it was fairly important and (1%) neither important nor unimportant.
- Seventy per cent (70%) thought 'judging priorities for spending' was very important, (29%) fairly important and (1%) neither important nor unimportant.
- Seventy per cent (70%) thought that 'setting the standards of service' was very important, (24%) fairly important and (7%) neither important nor unimportant.

Figure 20: How Important or Unimportant Do You Consider the Following Roles in Relation to your own Role as a Board Member?
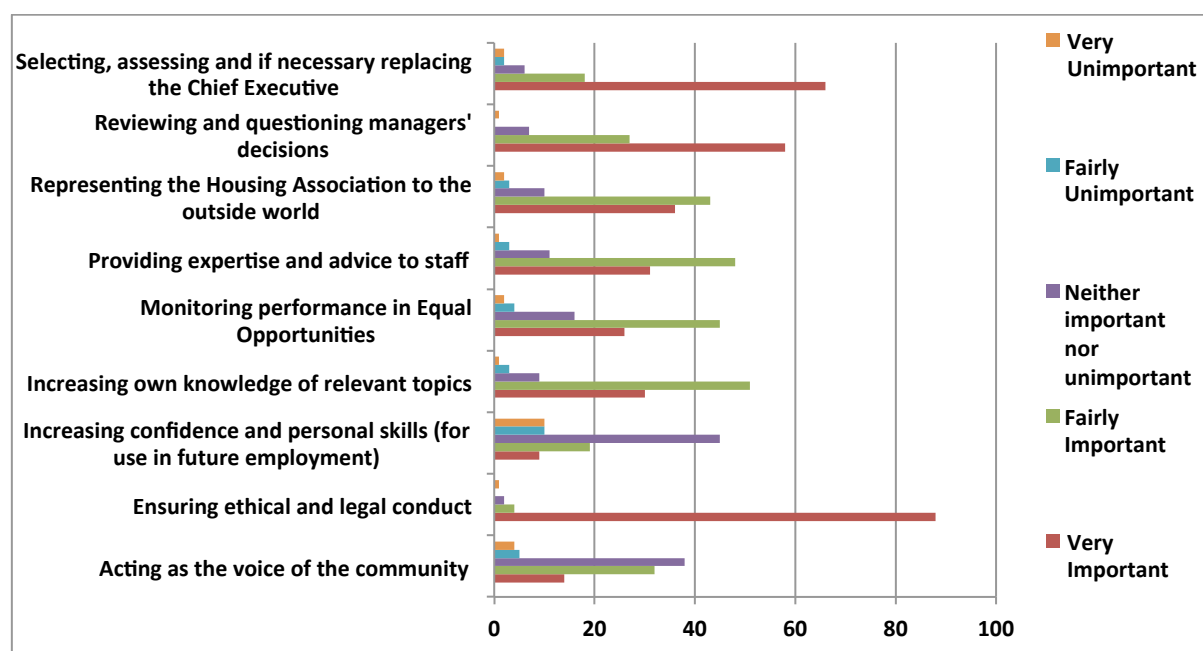
- Ninety-three per cent (93%) of BMs thought that 'ensuring ethical and legal conduct' was very important, (4%) fairly important, (2%) neither important nor unimportant and (1%) very unimportant.
- Ninety-one (91%) thought 'reviewing and questioning managers' decisions was very important (62%) or fairly important (29%), eight per cent (8%) thought it was neither important nor unimportant and (1%) thought it was very unimportant.
- Eighty-nine per cent (89%) thought that 'selecting, assessing and if necessary replacing the Chief Executive' was very important (70%) or fairly important (19%), seven per cent (7%) felt it was neither important nor unimportant and (4%) felt it was fairly or very unimportant.
- Eighty-six per cent (86%) thought that 'increasing own knowledge of relevant topics' was very important (32%) or fairly important (54%), one-tenth (10%) thought it was neither important nor unimportant, and (4%) thought it was fairly or very unimportant.
- Eighty-four per cent (84%) thought that 'representing the HA to the outside world' was very important (38%) or fairly important (46%), eleven per cent (11%) thought it was neither important nor unimportant, and five per cent (5%) thought it was fairly or very unimportant.
- Eighty-four per cent (84%) thought that 'providing expertise and advice to staff' was very important (33%) or fairly important (51%), twelve per cent (12%) thought it was neither important nor unimportant, and (4%) thought it was fairly or very unimportant.

Figure 21: In the Last 12 Months Did You Participate in Any of the Following Activities as a BM?
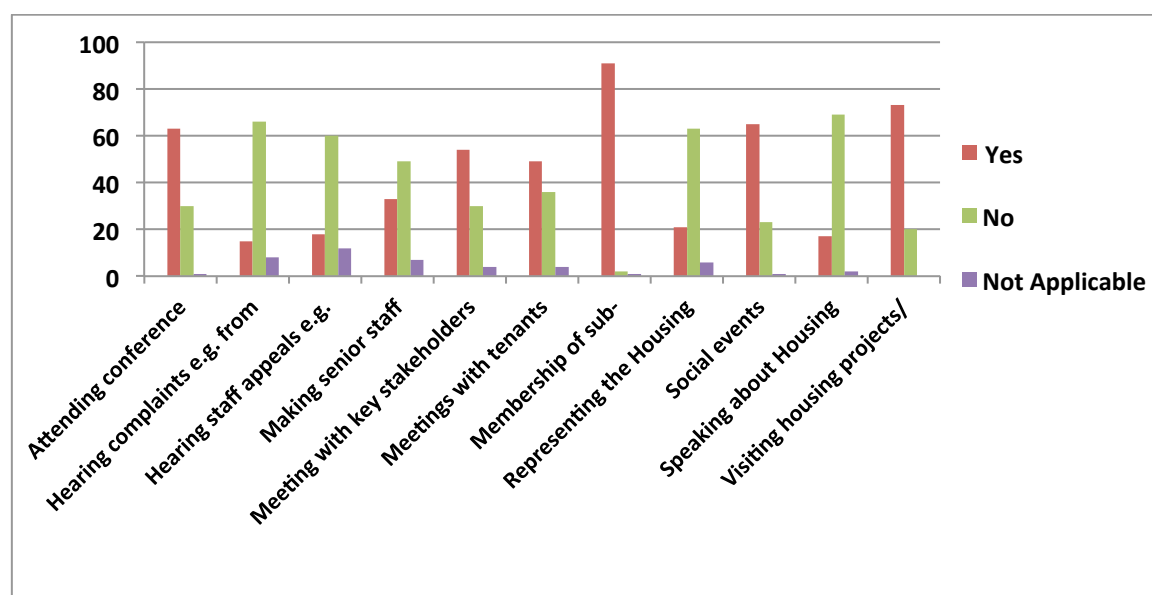
4.2.2 Activities in the previous 12 months

- Ninety-seven (97%) of BM participated in the 'membership of sub-committees/working groups'.
- Seventy-eight per cent (78%) stated 'visiting housing projects/estates' in the last 12 months; (22%) had not.
- Almost three-quarters (73%) of BMs participated in 'social events'; (27%) had not.
- Sixty-seven per cent (67%) of BMs stated 'attending conference(s)'; a third (33%) had not.
- Sixty-one per cent (61%) stated 'meeting with key stakeholders'.
- Over half (55%) stated having 'meetings with tenants'.
- Thirty-seven per cent (37%) stated 'making senior staff appointments'.
- Almost one-quarter (23%) stated 'representing the HA on external bodies'; (70%) had not and (7%) thought it was not applicable.
- One-fifth (20%) stated 'hearing staff appeals e.g. disciplinary matters'.
- Almost one-fifth (19%) participated in 'speaking about HA work to external audiences'.

Figure 22: CEs identify the board sub-committees
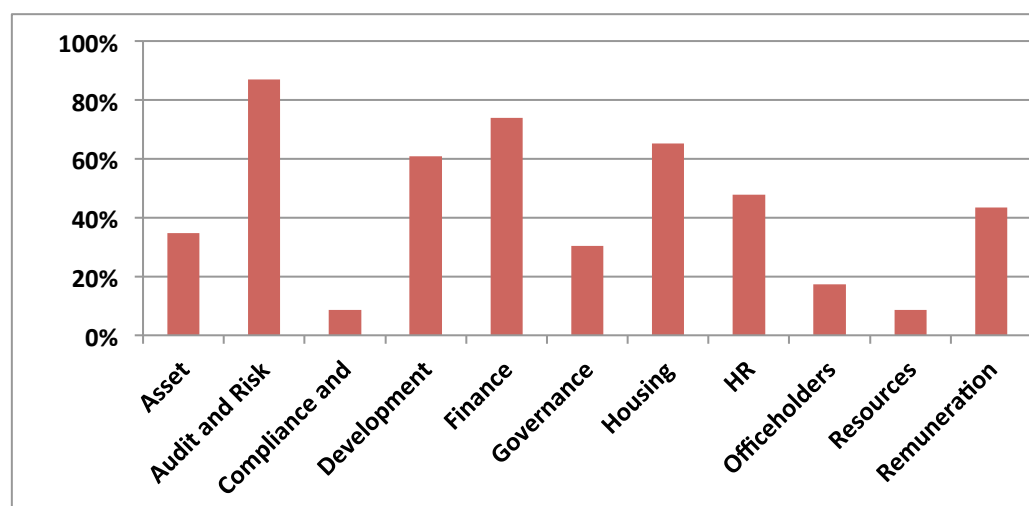
- Audit and Risk (87%), Finance (74%), Housing Management (65%) and Development (61%) were the four most commonly reported subcommittees.
- Followed by HR (48%), Remuneration (43%), Asset Management (35%), and Governance (30%).
- The least reported subcommittees were Officeholders (17%), Compliance and Regulation (9%) and Resources Committee (9%).
- CEs also reported having Care Services and Corporate Services subcommittees and having committees which combined functions e.g. Finance and Corporate Services Committees; Support Services; Housing Committees; and an Operations Committee covering development, asset management and housing

4.2.3 Conflicts of Interest

- Ninety-six per cent (96%) of CEs reported having a conflict of interest policy for the board; only one CE reported not having a policy in place.
- For some organisations the conflict of interest policy only covered external conflicts and for the majority it covered both internal and external conflicts.
- Ninety-one per cent (91%) of CEs stated that board papers comprise a 'Declarations of Interest' at the start of meetings.
- All (100%) reported having a code of conduct policy for board members.

4.2.4 Financial Management

The 2015 global accounts[62] for NI HAs reported a 5.5% increase in turnover to £214 million on the previous year. Compared to the previous year, units owned and managed were also up by 4.2% to 46,074, private finance had increased by 9% to cumulative borrowing of £680 million, asset value grew by 4% to £3.4 billion and the number of people employed by the sector stood at 2,954. Operating surpluses are used to finance the development of new social and affordable housing across NI and make a significant contribution to the local economy. Despite this positive financial strength, a set of financial challenges look to lie ahead for HAs, with political uncertainty, further reductions in public expenditure, the possibility of welfare reform and rent reform (which could include benchmark rents or even rent reductions such as those announced in England with rents on social homes set to fall by 1% a year over the next four years[63]). The DSD has highlighted the importance of strengthening in depth financial expertise on boards and of deepening non-finance experts understanding of finance. It reported in one inspection report[64]:

"Ideally the board should have several members who have a similar background and credentials in order to maintain adequate overview of the financial operations of the Association....The Team recommends that the Association recruits additional BMs with a background in finance and train or retrain existing board members"

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[62] 2015 Sector Global Accounts. PWC. Northern Ireland Federation of Housing Associations.

[63] Inside Housing (2015) http://www.insidehousing.co.uk/osborne-rips-up-settlement-and-cuts-rents-by-1-a-year/7010686.article (accessed September 2015)

[64] DSD Round 3 Inspection of South Ulster Housing Association. Final Report. February 2014. Department for Social Development http://www.dsdni.gov.uk/south_ulster_r3_final_report_feb_14.pdf (accessed October 2014)

A review of DSD inspection reports in relation to financial management highlighted recommendations pertaining to budget and cash flows, audit and risk, fraud management, treasury management, zero-based budgeting, variance analysis and component accounting (see table 1). DSD best practice on financial management covered the use of monthly budgets and cash flows prepared for 5 years up to 30 years; cash flows that were updated each month in line with actual cash flows and reconciled to the bank balance; use of zero-based budgeting; use of an Excel register for linking component additions, disposals and replacements, depreciation and housing association grant in line with SORP accounting requirements.

Table 1: DSD Inspection Recommendations for Financial Management

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Budget and Cash Flows

- Development of a 25-30 year budget and long-term cash flows should be approved by the Board.

- Rolling cash flows should be updated at least monthly with costs and income profiled for 1-2 years.

- Cash flows and budgets should include assumptions of how they have been estimated and profiled.

Audit and Finance

- The Audit Committee (and not the Finance Committee) should deal with auditors.

- The Board should examine the scope of financial audits to ensure the HA receives value for money and is able to gain assurance from the results.

- The Board should agree an Internal Audit Plan to provide the HA with an appraisal of its compliance with policies and procedures.

- Boards should exercise use of consultancy support.

Fraud Management

- Fraud management policies should be introduced. Any cases of fraud or suspected fraud should be reported to the DSD immediately

Treasury Management Policy

- HAs need to implement treasury management policies and have them approved by their Boards.

Zero-based Budgeting

- Boards should use zero-based budgeting, using anticipated spend rather than previous years to prepare budgets.

Variance Analysis

- HAs should explain variances between actual performance and budget in detailed narrative including why the variance arose and the impact it has had.

Component Accounting

- HAs should be prepared for the switch to component accounting which relates to assumptions on replacement periods for different building elements of the assets.

4.2.5 Asset Management

Asset management and maintenance is another fundamental aspect of HA business. Assets are the key underpinning of HA business – keeping assets in good repair is the most fundamental determinant of tenant satisfaction – deciding which assets to buy and sell or repair and improve is amongst the most fundamental decisions Boards make and accounts for a high percentage of budgets (alongside staff and interest costs). It is therefore important that boards understand and are on top of asset management strategy, stock purchase and sales, overall spend on

planned and cyclical maintenance and repairs procurement. Earlier this year one of England's largest HAs was placed on the HCA's 'gradings under review list' due to difficulties with repairs and maintenance[65].

From the DSD's perspective, inspection reports drew attention to a number of cases where HAs where falling short in relation to having Asset Management Strategies (AMSs) and Stock Condition Surveys (SCSs) in place (see Table 2). Such strategies are vital in ensuring that boards can optimally and sustainably manage organisations' assets, expenditures and risks, and assess performance over their life cycles. Recognised best practice highlighted by DSD covered HAs having concise and focused AMSs in place; one maintenance contract being used to employ a tenant liaison officer to act as a conduit between the tenants, contractors and the HA; and the use of scorecards to grade planned, cyclical and servicing maintenance work.

Table 2: DSD Inspection Recommendations for Asset Management

Asset Management Strategy
- HAs should have AMSs in place; reference should be made to an AMS in corporate strategies, business plans or in cyclical or planned maintenance programmes.
Stock Condition Survey
- Boards should undertake SCSs to assist the development of planned and cyclic maintenance programmes, including budgets and timescales over a 25-30 year period to help minimise risk to the existing stock and tenants.
Procurement
- HAs should produce audit plans that assess their maintenance function, benchmarked against the DSD's own procurement requirements and regulatory framework.

4.2.6 Property Development

In recent years attention has been drawn to major shortcomings around HA development programmes. Highlighted by both DSD inspection and media reports, key concerns have centred around the development potential of a small number of sites, developments being progressed without full/outline planning permission and lacking appropriate community consultation. These issues, deemed to be high materiality by the DSD, also gave rise to concerns about the level of information that was being received by boards and the ineffectiveness of boards to exercise their challenge function despite being made up of adequately skilled members. In its inspection reports the DSD made a series of recommendations (Table 3) in relation to the role of development committees, the importance of feasibility studies, and specifying design briefs and feasibility templates for development. DSD best practice acknowledged boards for adopting pro-active approaches to project management; possessing well-resourced and highly experienced in-house development teams; offering bespoke training programmes for housing development personnel; identifying high risk projects through effective risk management control systems; and using KPIs and balance scorecards to monitor development performance.

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[65] Social Housing, 2015. http://www.socialhousing.co.uk/circle-and-first-wessex-placed-on-regulators-watch-list/7007726.article (accessed January 2015).

Table 3: DSD Recommendations for Property Development

Development

- Development committees should have more involvement in approving and monitoring the delivery of its development programme.
- Development Committee Terms of Reference should be enhanced to receive regular update reports. They should also approve tenders, increased costs, financial losses and final accounts.
- One inspection found significant delays to be common in progressing scheme proposals mainly due to planning and financial viability issues and stated that the impact of these may have been mitigated if feasibility studies had been conducted.
- Boards should assess development potential and estimating capital costs.
- Boards to use a template for development feasibility reports to include: economic appraisals; valuations; site acquisition / other development costs; abnormals; non-qualifying costs / funding; a time frame for the completion of the project; the proposed method of procurement; and, the application for project approval.

4.2.7 Housing Management

Welfare Reform remains a point of contention for the government in NI. Information sharing has taken place between the DSD and the NI Office (NIO)[66] after the NI Secretary made it clear she was prepared to legislate directly on the issue[67]. It appears to be a case of when and not if welfare reform is introduced in NI. A study by the Welsh Audit Office revealed that a rise in poverty, debt and exclusion all coincided with the introduction of welfare reform measures, and other research by Sheffield Hallam University[68] has reported that £750m a year will be taken from the NI economy when the reforms take full effect. This will be another considerable challenge facing HA Boards in future as regulatory standards accentuate finance, consumer and governance standards and possibly benchmark rents which could impact of future development potential.

In its inspection reports the DSD made a series of recommendations (see Table 4) for housing management spanning welfare reform, tenant satisfaction, fraud, allocations, joint management agreements (JMAs), community consultation and complaints policies. Best practice was recognised in relation to innovative methods for arrears recovery, comprehensive training on arrears management, collaboration with banks and Consumer Council NI to help address issues of financial exclusion, and early analysis of tenant profiles for those most at risk of welfare reform.

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[66] BBC (2015). Welfare reform: Department for Social Development sharing plans with NIO. http://www.bbc.co.uk/news/uk-northern-ireland-34414629 (accessed October 2015).
[67] BBC (2015). Welfare reform: Westminster may legislate directly as last resort. http://www.bbc.co.uk/news/uk-northern-ireland-34164806 (accessed October 2015).
[68] Beatty, C & Fothergill., S. (2013) The Impact of Welfare Reform in Northern Ireland. Northern Ireland Council for Voluntary Action &

Table 4: DSD Recommendations for Housing Management

Welfare Reform

- Analysis needed on how HAs intend to manage any adverse financial impact.

Customer Satisfaction

- All Customer Satisfaction Survey results and detailed action plans should be reported to the Board.

Fraud

- HAs should have in place policies for managing fraud including a Tenancy Fraud Strategy.

Allocations

- HAs should ensure that it completes all allocations in compliance with the NIHE guidance on the use of transfers.

- Properties should be allocated to households in accordance with the appropriate number of bedrooms required.

Joint Management Agreements (JMAs)

- JMAs should be agreed and signed by parties involved with copies of all paperwork and email correspondence retained on file.

Community Consultation

- HAs should conduct appropriate community consultation at the earliest opportunity in an open and transparent manner to include both leaflet drops and public meetings with the community.

Complaints Policy

- HAs should review their complaints policies and procedures and ensure that a separate complaints register is maintained.

- Complaints should be reported to the Housing Management sub-committee and included as a standing item on the sub-committee agenda

4.2.8 Corporate Governance

The DSD's Governance Guide[69] defines governance as "the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an association". The substantive recommendations (see Table 5) contained in recent inspection reports focus on strategic and business planning, performance monitoring, training of board members, and the importance of having an agreed internal audit plan. The level of detail of other recommendations once again raises questions around the balance of performance and conformance roles of Boards. Section 5 of this report will look specifically at corporate governance effectiveness and evaluate how the conformance and performance roles of Boards can be better achieved. Best practice was acknowledged by the DSD in relation to external chair recruitment, the use of e-governance and technology in the Boardroom improving Board processes and papers trails, and effective scenario planning with Boards asking challenging 'What If' questions.

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[69] Department for Social Development. Governance Guide. http://www.dsdni.gov.uk/index/hsdiv-housing/ha_guide/haggg-contents.htm (accessed February 2015)

Table 5: DSD Recommendations for Corporate Governance

Strategic and Business Planning

- HAs should produce a 3-5 year corporate plan with corresponding yearly business plans.

- The Board should formally approve both the Strategic and Business Plans, review the Business Plan to include appropriate KPIs/target dates, and receive regular updates to ensure targets are being monitored

Induction and Training for Board Members

- Induction plans should be in place for new BMs in accordance with the Governance Guide.

- A Skills Audit should be conducted to include the newest BMs and then reviewed regularly or each time there is a change of personnel on the Board.

- Training Plans should be drawn up to address any shortcomings in Board knowledge and training offered to all BMs where appropriate.

Internal Audit

- Boards should have audit services to provide ongoing independent assurance on the performance of the HA.

Sub Committees

- HAs should revisit committee Terms of Reference to ensure the quorum is made up only of BMs.

Co-opting Members

- Co-opted members should not deliberate/vote on matters affecting the membership of the association and/or the election of officers.

Use of Consultants

- Board should assess the basis on which it engages consultants to ensure that there is an appropriate transfer of skills/knowledge to the association's staff with a view to reducing future consultancy requirements.

4.3 Discussion and Implications for Governance

4.3.1 Financial Management

In the voluntary sector literature, Harrow and Palmer (2003)[70] have argued that voluntary boards face a predicament when making financial decisions as the legal framework requires everyone to act collectively which presupposes that BMs have a mutual understanding and shared expertise in reaching decisions. They contend that financial literacy is often unevenly distributed meaning other members' dependence on the financial experts can lead to disparities in collective decision-making. The implications of this for Boards is how to address to variance in differential skills, particularly if regulatory standards focus more on finance and governance and how to reconcile the trust placed in the financial experts by the non-finance experts as HAs adopt more complex business and financial models.

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[70] Harrow, J & Palmer, P. (2003) The Financial Role of Charity Boards. In Cornforth, C. ed. *The Governance of Public and Non-Profit Organisations. What Boards Do?* Oxon: Routledge

Strategically, a key focus for Boards is making investment decisions therefore it is crucial that Boards are actively involved in the appraisal of new business opportunities. Workshops participants stressed the need for Boards to have a firm grip on financial management, risk management and social return as business streams become increasingly diversified. Finding the right balance between financial and social imperatives is a challenge for Boards as the operating environment becomes more complex, requiring Board expertise. There was also an appreciation that HAs need to think more strategically about organisational viability and sustainability and about longer term investment decisions, not just day to day financial management tasks. Whilst the benefits of financial forecasting were recognised in helping with financial planning, some stakeholders queried the requirement of 30-year cash flow and outflow forecasts, stating that banks only require 5-year forecasts. Zero-based budgeting was also considered to be more appropriate for larger HAs with larger budget lines, than for smaller community-based HAs. This is perhaps another example of how a prescriptive one-size-fits-all approach to regulation presents challenges for smaller HAs.

4.3.2 Asset Management

Changes to current procurement rules will enable HAs greater freedoms when entering contracts. Muir & Mullins (2015)[71] reported (based on a research study of procurement groups in NI carried over a two year period) that the use of mandated procurement partnerships alter the balance between trust and power in partnership working, the key tension of which is the balance between being accountable for public resources and preserving the independence of the third sector. Armistead and Pettigrew (2008) describe voluntary partnerships as having greater levels of flexibility with harmonious decision-making, along with inherent ownership which leads to more bespoke and efficient practices and processes suited to the needs of each partner.

During the initial stakeholder interviews many participants from the HA sector criticized the approach that has been taken in recent years to procurement. One stated: "*I don't think procurement groups are working particularly well. They are bureaucratic, they are obstructive and we could achieve greater efficiencies just by getting on with it and we have made it clear to the Department that we would like to do our own procurement*"[72]. Another stakeholder stated that "*Procurement is an important tool and can deliver positive outcomes; but I don't think it should be the capital P industry that it has become*". There were clear frustrations around the prescriptive approach to mandated procurement partnerships during initial stakeholder interviews particularly the regulations around the use of contracts. There was consensus that a set of higher-level principles would improve HA procurement activity, rather than the prescriptive procurement strategy. Moving beyond the strategy should provide HA Boards with

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[71] Muir, J. & Mullins, D. (2015) The Governance of Mandated Partnership: the case of social housing procurement. Housing Studies (forthcoming)

[72] This was largely confirmed by independent research on procurement groups for NIHE Mullins, D., Muir, J. and Acheson, N. (2013) *Third Sector Housing Partnerships in Northern Ireland: Commissioned Report for the Northern Ireland Housing Executive*, Belfast: Northern Ireland Housing Executive. This appears to have been recognised in subsequent changes in procurement policy.

the autonomy and flexibility of decision-making needed for more effective and efficient service delivery.

Asset management is a fundamental determinant of tenant satisfaction. Recent research in England has highlighted the importance of repairs and procurement as a driver of tenant satisfaction. Best practice cases have shown how by involving tenants in procurement decisions not only can tenants satisfaction be increased but substantial savings in procurement costs can also be achieved.[73] Workshop participants offered examples of how tenants are involved in asset management (e.g. voids management) but stressed that it was important for tenants to see that investment decisions are based on key information and "not on who shouts the loudest". Boards must ensure that asset management decisions are consistent with the overall strategy and that they have a clear understanding of overall stock performance. AMSs may allow for creative possibilities when considering stock performance, particularly for stock that is not performing optimally. However, participants felt HAs were "not at that stage" yet in terms of stock divestment and that the focus to date has been about asset management feeding into procurement. Finally, participants thought that the sector as a whole could benefit from having more Board expertise on asset management.

4.3.3 Property Development

HA global accounts for 2015 revealed that total stock of units owned and managed had risen by 4.2% to 46,074 – an increase of 1,864 homes. Despite the continued development success of the sector, it was evident from the stakeholder interviews that significant barriers to development remain. These included local resident NIMBYism, difficulties in acquiring suitable sites, as well as the prescriptive procurement regulations, all of which restrict the full development potential of the sector.

Stakeholders also indicated that to achieve ambitious new build targets and to keep pace with rising levels of housing need more HAs need to be involved in the social housing development programme (SHDP). Eighty per cent of the SHDP is delivered by four of the larger HAs. The other 20% that contribute to the SHDP have a very important role to play, but questions for sector governance remain as to whether further sector collaboration would help maximize the gearing and un-mortgaged asset potential of non-developing HAs.

The rent policy review and benchmark rents could undermine previous good work that has been done on financial assumptions and modelling. Public policy and changing rent models may result in a shift towards longer-term break-even points (they can be 40 years in some cases). Boards therefore require people with the right skills and expertise who understand the different business and financial models. One stakeholder stated *"HAs are property businesses but it is hard to find people with property skills and who have to right values as well"*. Smaller Boards put pressure on levels of expertise. Having a greater number of subcommittees (with no co-optees) necessitates larger Board sizes. The skills and expertise required in teams and Boards to be

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[73] Bliss, Lambert, Halfacre, Bell and Mullins (2015). An Investment not a Cost. The Business Benefits of Tenant Involvement.

involved in property development is one reason only a few larger HAs deliver the majority of the SHDP. As complexity grows private lenders accentuate the need for expertise on Boards; a challenge for Boards will be to balance the need for expertise with the regulators preoccupation with more tenant involvement in governance structures and formal decision-making processes.

Challenges for sector governance will continue in respect of housing development particularly in overcoming the many obstacles that make it difficult for HAs to participate in the SHDP. Participants expressed the need to move towards a flexible multi-year development programme. The reliance on frenetic end of year development delivery poses major challenges. Moreover, it was reported that the transaction levels needed to deliver new homes in NI is higher than other jurisdictions due to the size of new developments. A multi-year development programme would afford more time for scrutiny of projects and enable a more strategic approach by the sector in terms of the number and location of homes needed.

4.3.4 Housing Management

In respect of Housing Management, Boards will be expected to up their game in respect of tenant engagement under proposals outlined in the Department's Tenant Participation Strategy. The attention on tenancy fraud by elected representatives will continue to be a key priority for the regulator in the short-term and the potential for Welfare Reform means that HAs Boards will need to demonstrate that they are able to cope with any social and/or economic repercussions particularly as the new regulatory framework is set to prioritise finance and consumer standards.

NI's twenty-three HAs are currently delivering services to over 40,000 tenants and leaseholders. The Housing Partners Big Tenant Survey[74] results of 61,000 respondents from across the UK revealed that the overall impression is one of poor lines of communication between landlords and tenants. The same survey also revealed that only 34% of tenants in NI are satisfied with their landlord, the lowest scoring region in the UK alongside London. Twenty-six per cent (26%) of respondents felt that their landlord listens and acts on their views; (23%) were likely to recommend their landlord to a friend of relative; and (50%) were proud of their home - again the lowest scoring levels of satisfaction across the UK outside of London. These are in contrast to NIFHA's own figures which indicated satisfaction levels of (84%) across the sector[75].

The DSD's 'A Tenant Participation Strategy for Northern Ireland 2015-2020'[76] makes a commitment to provide guidance on effective tenant involvement in governance and board membership and states that landlords will be assessed and inspected against standards set out in regulation. It also states that social landlords should have in place strategies or methods for

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[74] Big Tenant Survey 2014 Summary Report (2014) Housing Partners.
http://bigtenantsurvey.housingpartners.co.uk/get-the-report.html
[75] Belfast Telegraph (2014) House Poll has shaky foundation
http://www.belfasttelegraph.co.uk/opinion/debateni/house-poll-has-shaky-foundation-30556538.html (accessed February 2015)
[76] A Tenant Participation Strategy for Northern Ireland: 2015-2020. A Draft for Consultation. Department for Social Development www.dsdni.gov.uk/shrp-tenant-participation-consultation-document.pdf

tenant participation by April 2016. Boards will have an increasingly important role to play in developing methods to encourage and support more tenant participation, empowering tenants to have greater input into how their services are designed and delivered in future.

Tenancy Fraud has received attention from the NIAO[77] and the Public Accounts Committee has recently produced a 'Report on Tackling Social Housing Tenancy Fraud in Northern Ireland'[78]. The report concludes that social housing providers in NI have not reacted efficiently enough to the 'increased recognition of tenancy fraud in GB' although it continues to say that it takes some comfort from the range of measures being proactively adopted by HAs to tackle the issue. In presenting its recommendations it is clear that the Public Accounts Committee sees a key role for Boards in addressing this issue. Stating its support of the National Fraud Initiative the Committee stated that it expected all HAs to participate; it recommended that performance targets be included in the regulator's inspection regime for HAs and suggested careful consideration of an 'Invest to Save' initiative that would provide additional funding for effective prevention, detection and investigation of fraud.

Community safety and dealing with anti-social behaviour (ASB) are other fundamental pillars of housing management. The Housing (Amendment) Bill[79] proposes to legislate to allow for disclosure of information between agencies to help tackle the issue of ASB. It was highlighted by one workshop participant as being the number one issue for housing management. Boards need to be on top of ASB to meet regulatory requirements.

Others suggested the need for a more holistic approach to housing management by Boards to include financial inclusion, additional services, social value, housing plus and community investment. Helping tenants to sustain tenancies, and signposting to debt advice agencies for financial assistance were also considered key tenets of effective housing management. Finally, the regulator has also stressed the area of Joint Management Partnerships (JMPs) in recent inspection reports. Boards will need to ensure that relationships with joint partners are working effectively and delivering positive outcomes.

4.3.5 Corporate Governance
This section on corporate governance takes us towards the conclusion of the project on corporate governance effectiveness therefore only deals with themes discussed at the third workshop. It considers some general reflections on the relationship between governance and regulation and the implications this has for board skills. Workshop participants did not favour compliance duties being handled by a specific compliance focused committee. Instead it was suggested that regulation should not be onerous for HAs but that the current system has

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[77] Tackling Social Housing Tenancy Fraud in Northern Ireland (2013) Northern Ireland Audit Office. http://www.niauditoffice.gov.uk/index/publications/report_archive_home/2013/housing_tenacy_fraud.pdf
[78] Report on Tackling Social Housing Fraud (2014). Public Accounts Committee http://www.niassembly.gov.uk/globalassets/Documents/Reports/Public-Accounts/Report-on-Tracking-Social-Housing-Tenancy-Fraud-in-NI.pdf
[79] Northern Ireland Assembly. (Housing Amendment) Bill http://www.niassembly.gov.uk/globalassets/documents/legislation/bills/executive-bills/session-2014-2015/housing-amendment-bill/housing-amendment-bill---as-introduced.pdf (accessed October 2015).

prevailed because of the regulatory focus on audit and compliance. A move to risk based proportionate regulation approach was favoured with DSD assuming primacy for sector regulation with Charity Commission NI (CCNI) taking its assurance from DSD and allowing for regulatory 'passporting'. This was deemed necessary as sectoral commercialism - to deliver social objectives - does not sit well with CCNI. However, as greater primacy is afforded to boards under the new regulatory approach the DSD might require greater powers such as having the ability to appoint BMs to HAs that have failed inspections such as those used by both the Homes and Communities Agency (HCA) and the Scottish Housing Regulator. This fits the idea of 'earned autonomy' in which well performing organisations are freed to focus on performance provided that they deliver.

It was suggested by workshop participants that Boards need to be strong-minded if using consultants for advice and expertise and recognise that opinions can be rejected. It was stressed that HAs should not be consultant driven and any consultancy advice should always be debated and considered in full by the Board. External and transparent board recruitment was considered to be a good principle for HA corporate governance, perhaps increasingly so, if BM remuneration is to be introduced. This is needed to "*address the next in line mentality within the sector*". Formal, external recruitment would not preclude applicants from being encouraged to apply informally, but all recruitment should be done through external advertising and formal appointments. In relation to Board tenure, skills and expertise can be recycled and used on other HAs boards, as BMs stand down (after their maximum 9 years or before). The importance of Boards meeting on their own (without executives present) was considered good practice by some stakeholders.

Given the legal responsibilities associated with being a BM it is incumbent on BMs to be aware of areas where they have personal liability. BMs should at least be aware of and have knowledge of the top ten areas where they have fiduciary responsibilities. Some stakeholders also strongly supported external facing Boards with links to other Boards whereby they can exchange experiences and get a better idea of what takes place elsewhere. BMs should also have ambassadorial roles, as it was suggested that regulators and elected representatives prefer to meet with BMs – not just the CE. When BMs were asked what activities they have participated in in the previous 12 months, most of the activities were inward facing. Three fifths had met with stakeholders, one quarter represented the HA on external bodies and one-fifth spoke about the HA to an external audience.

4.4 Conclusions and Recommendations

- According to PWC Global Accounts 2015 the financial position of the sector is strong; however there are variations in the gearing ratios of individual HAs which could provide a catalyst for further mergers or group structures in future.

- Stakeholders expressed that HAs need to focus more on longer term investment decisions, financial viability and organisational sustainability and not just on day-today financial management – although that was deemed very important too.

- Deciding which assets to buy and sell or repair and improve is amongst the most fundamental decisions Boards make and accounts for a high percentage of budgets (alongside staff and interest costs). Boards need to be on top of and understand asset management, stock purchase and sales; overall spend on planned and cyclical maintenance and repairs procurement.

- Boards need people with real commercial instinct and social values as well. A combination of the hard nose perspective e.g. cost discipline, shareholder value but respect the social mission is required.

- Whilst procurement is considered an important tool, frustrations remain around the current approach. A shift towards a set of higher-level principles was favoured by research participants, providing Boards with autonomy and flexibility of decision-making.

- A move towards a holistic approach to housing management encompassing work on welfare reform, tenancy fraud, tenancy sustainment, tenant participation, rent collection, financial inclusion, ASB and community safety, and community investment was suggested by stakeholders.

- Boards should exercise judicious use of consultancy advice and not be consultancy driven. Any consultancy advice should always be debated and considered in full by the Board.

- Support for external facing Boards with links to other Boards was favoured as was BMs assuming ambassadorial roles for engaging with local government, regulators and other key stakeholders.

Recommendations:

12. **Asset Management Strategies should be used** by boards to explore options and **to take decisions about underperforming stock.**

13. To enable a more strategic approach to social and affordable housing development, **the DSD should move towards a multi-annual development programme.**

14. **Board members should familiarise themselves with the top ten areas where they have personal liability.**

15. **Boards should develop strategies to help them become more externally facing** – which will be important as the SHRP is implemented – **and develop connections with other boards in the sector for sharing good governance experience and practice.**

16. As regulatory framework moves towards a proportionate, risk-based approach **the DSD should legislate to appoint board members or special managers in the case of failed inspections before having to initiate an Inquiry.**

5. Case Study Findings

5.1 Introduction

This chapter draws on the five case studies including the interviews and board observation undertaken within each of the five organisations. The five case studies show how these HAs differ in size, from small community based HAs to large regional based HAs some of whom operate North and South of the border. Between them they provide social housing, sheltered housing, supported housing, homeless accommodation, and some include educational and skills development programmes for their tenants. **NB:** The first case study Oaklee Homes Group has since merged with Trinity HA and Ulidia HA to become Choice Housing. All findings reported are based on the time the research was conducted. The observed Board meeting was the last ever as Oaklee Homes Group.

5.2 Case Studies

The case study reports paint a picture of five organisations at the time of our visits in the first half of 2014. In each case we provide some background, describe the governance arrangements and recent strategic issues before giving an account of governance in action through observation of meetings, participation of BMs, issues discussed and any points of significant disagreement. Some conclusions are drawn out from this observational evidence in each case.

5.2.1 NEWINGTON HOUSING ASSOCIATION

HEADLINES ISSUES FROM INTERVIEWS AND BOARD OBSERVATION – FEB 3 2014

Background

Newington is a small community based HA in North Belfast. It has been established for just under 40 years and has just over 450 homes in management. It has a strong local focus with its origins in refurbishing Victorian housing to regenerate the area and is now growing through new development schemes and stock transfers in the area. Its head office is based on the Limestone Road which provides a dividing line between the largely nationalist Parkside and Newington areas and the mainly unionist Tiger's Bay and Halliday's Road. Recent years have seen several important new development schemes and transfers adding 200 homes in the immediate area including interface schemes. Development activity has involved external partnerships through the Apex Procurement Group in which Trinity was the original development agent for Newington. This role has recently been undertaken by Apex HA itself.

Governance Arrangements

Governance arrangements reflect the organisation's strong local community orientation, with several members having been associated with Newington for more than half of its life and in one case three generations of a family being involved in its governance. The recent period has

seen significant refreshment of the board through the NIFHA list of professional skills, used to appoint a development expert, and through partnership working with local social enterprises including interlocking directorships with Newington Credit Union. Two members have strong connections with St Vincent de Paul (SVP) and another two BMs sat on the Board of Open Door - a similar sized HA which subsequently joined Choice Housing. Another BM was a volunteer for the Grow NI initiative and represented Newington at its opening day.

The Board of 13 included three women, one of them in her 20s, but still comprised mainly older white men. There was a good range of professional skills, with gaps identified only in relation to marketing and PR and accountancy (although one member has significant audit experience). A member with HR skills recently left. Four BMs, including the chair, vice chair and secretary, were due to retire under the 9-year rule; this was discussed formally with DSD. Most of the BMs had close links with the area and were well placed to handle sensitive community consultations on new developments on interface sites such as the Delaware Building and Tigers Bay. There was one very long-standing tenant BM who had strong community links through SVP; in earlier times there were more tenants but it has proved difficult to attract new volunteers.

Key Strategic Issues

One of the biggest sets of strategic issues faced by the Board over recent years has been merger or group structures with other HAs, driven by the Ministerial and DSD drive to reduce the number of HAs. This has included a four-year project supported by DSD and steered by PWC which had aimed to merge four North Belfast HAs. Newington was represented in the steering group of this project by two BMs, but eventually a decision was made to withdraw mainly on business grounds. An option being discussed at the time of the research (and since completed) was to join a group structure with Apex HA which had provided development services to Newington. Merger discussions were seen by BMs as an externally imposed agenda that had taken up substantial amounts of voluntary BM time. However, all interviewees were convinced of the potential benefits of scaling up provided that a degree of local autonomy could be preserved.

Significant new development activity has been another major decision area for the board. As noted above this has involved sensitive consultations across the community divide. Newington's development partner, Apex, is perceived as having its main focus on efficiency and programme delivery but is less well placed to manage local community relationships. The group structure with Apex resulted in an Apex nominee BM being placed on the Newington board. This was seen as an opportunity to sensitise Apex to the local community issues and the need for responsiveness in managing large-scale contracts. This was an interesting example of tension management within the group structure.

Governance in Action – Board Meeting February 3rd 2014

The observed board meeting was conducted informally but efficiently by the long-standing chair. The meeting started promptly at 5.00pm with 7 members and the three top tier officers

(CEO, FM and Operations Manager) present, and three further BMs arrived during the course of the meeting. All 13 sat around a single table with the Chair at the head and three officers at the other end. Dress code was informal (only officers had suit and tie), first names were used throughout and discussion was free flowing. No projector or presentations were used and reference was to a paper agenda with notes for each sub-committee along with a small number of longer papers including a development report and a staffing report. Two new members, both women, were welcomed at the start of the meeting as was the research team from Ulster University and University of Birmingham. The meeting closed just after 7.00pm.

In advance of the meeting the agenda construction had been explained by the CE and Chair. Newington has been using 'e-governance' for the past 30 months whereby BMs have laptops and can access background papers and copies of email correspondence sent by the CE and officers on key topics on an on-going basis. Five sub-committees met between board meetings to discuss the detail; sub-committee chairs are all BMs and generally take the lead on updating the board on sub-committee business. Membership of sub-committees consists of 3-5 board members and there are no co-optees. BMs have the right to attend any sub-committee and new members are encouraged to do so as part of their induction.

Participation of board members in the discussion was observed during the meeting.

A wide range of queries and comments were contributed by BMs. The development expert queried the timetable for appointing consultants and deferred to the CE for a response. The Chair, Operations Manager and new BM from the local credit union were all involved in a discussion about improving financial inclusion for tenants. A female member attending for the first time was able to use her local knowledge of the area when a local development was being discussed.

The Chair of the Finance and Personnel committee presented a brief finance report and a paper proposing salary and staff changes. This resulted in some debate amongst BMs and the committee chair drawing on his board experience of another similar sized HA. BMs were robust in exercising challenge, querying points and requesting additional information. The Chair let the discussion flow and the paper was not approved but it was agreed to revisit the paper at another meeting.

BMs who attended a recent governance seminar provided an update to the board before agreeing to subscribe to a website offering advice, guidance and good practice on corporate governance. Members were also invited to attend a NIFHA BM conference.

There was a discussion that lasted twenty minutes about BM appraisals. Staff mentioned that it was a DSD requirement and it was proposed that a consultant be hired to conduct an appraisal review. One member drew on a model of appraisal used by the civil service stating that it wouldn't work well in a voluntary capacity. Another BM sought clarification on what consultants were being asked to do and there was some disagreement between BMs. Some thought it was a useful exercise that could assist with succession planning and be an opportunity for BMs;

another BM thought it was a "waste of money". All BMs finally reached consensus. The CE reiterated that there is an expectation by the DSD that appraisals are carried out.

The range of skills and knowledge of BMs was apparent from their contributions to the discussion. One BM commented throughout on development, another on finance and HR and also on what was going on in other organisations in the sector; the vice chair and other members came in at key points in the discussion. All BMs made at least one significant contribution to the discussion.

Issues and duration of discussion were also observed.

Appraisal: This was interesting as it involved the need to conform with DSD expectations that all BMs should be appraised once a year. The Chair was reluctant to appraise the skills of expert members and preferred for it to be done externally. He expressed his personal unease with the appropriateness of civil service style appraisals for volunteers and did not feel comfortable with this form of appraisal. The proposal on the table was for a small consultancy to be engaged to advise and possibly implement an appraisal scheme. There were disagreements around the value and costs of this and the discussion went round several circles before the CE gave strong support to the chair in moving this proposal.

Staffing: A rather surprising incident occurred in which the chair of F&P had introduced a general report from the meeting the previous week. The CE then asked if he would like to add anything on the staffing report which had been attached to the agenda in full. The Chair of F&P felt that more justification was needed for a second maintenance officer post and for salary increases for one team member that related to income generation. This led to an interesting ethical debate about whether staff who had opportunities to generate income should be rewarded more than those who reduced costs or met other objectives. The challenge also extended to questioning the use of an HR consultant to advise on salaries and establishment. This discussion was a good example of the board challenging the executive and led to the CE agreeing to take the report away and provide further justification for revised proposals. It did not follow the expected pattern of detailed issues being fully debated by subcommittees before a recommendation is made to the board. This could have been due to lack of time at the recent sub-committee, its low attendance for such a key item or the need to air known disagreements of the F&P chair with the executive in a wider forum.

Development: Several current developments were discussed, including the role of Apex as development agent and Procurement Group for a sensitive site in Tigers Bay. Newington had faced problems, as a perceived 'green' organisation, in progressing the scheme and had sought the involvement of another community-based HA. Apex then took on the lead role, but not only were they seen as a 'green' organisation but also one from outside the area.

There were no points of significant disagreement but two key debates led to decisions to explore further in the first case and to take forward after hearing opposing views in the second case:

- The Staffing Report had been challenged by the Chair of the F&P Committee and CE agreed to take it back and look further at justifications for posts and salary increases.
- The recommendation to appoint an external consultant to undertake BM appraisals was eventually agreed after several challenges but through persistence of Chair and CE.

Conclusions – key observations

- **the value of community level governance** in terms of local knowledge and sensitivities was clearly evidenced (especially in relation to new development). The level of local knowledge of the committee as a whole was strong with the tenant BM in particular having long standing links through his role in SVP.
- **strategy for building community accountability** through strategic partnerships especially with Newington Credit Union and board interlocks. This appeared to be a more recent development as was both a method to recruit new BMs and to respond to new issues concerning welfare reform and financial exclusion of tenants (need for bank accounts etc).
- **the effectiveness of information management** via e-governance sharing of background papers and correspondence prior to meetings. This enabled shorter agendas in which key items were highlighted in red.
- **awareness of regulator and tendency to conformance** was apparent in the attention to issues of board appraisal, 9 year rule and succession. (The 'outsider' at the table to whom the minutes would be addressed).
- **vulnerability of the organisations to these external influences** was evident in danger of chair, vice chair and treasurer having to stand down at same time during entry into new group structure with powerful partner.
- **some issues with role of sub committees were evident**: development committee had not had regular calendar of meetings. As the F&P sub-committee had not resolved the challenging key elements of the staffing report the matter was referred to the board for final review/debate.
- **wide range of contributions to discussion were apparent**: the two new BMs contributed to discussions in their area of expertise which were around the local community knowledge and financial inclusion. More longstanding BMs exercised challenge on a range of themes.

5.2.2 OAKLEE HOMES GROUP[80]

HEADLINES ISSUES FROM INTERVIEWS AND BOARD OBSERVATION – MARCH 26 2014

Background

During the 'noughties' one feature of Oaklee's business growth was to explore opportunities to work more closely with other HAs. Oaklee is based in central Belfast and at the time of the research provided about 4,800 homes throughout NI for families, single people, sheltered

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[80] Now known as Choice Housing following mergers with Trinity and Ulidia HAs

schemes for older people, supported schemes for people with disabilities and other support needs as well as accommodation for young people needing care.

Governance Arrangements

Oaklee Housing was part of the Oaklee Homes Group structure which comprised a number of other companies: 'Oaklee Housing Trust', 'Oaklee Enterprise Limited', 'Oaklee Employment Services Ltd' and 'Inspire Wellbeing'. Each subsidiary company had its own board comprising BMs from the Oaklee Homes Group parent board and independents with a wide range of knowledge and expertise.

Oaklee Housing covered the work of the former Oaklee HA, including the functions of development, maintenance, housing management and allocations. 'Oaklee Housing Trust' operates in the Republic of Ireland and was established in 2000. 'Oaklee Enterprises Ltd' was formerly 'Oaklee Homes Ltd' and provided build for sale, site acquisition and facility management. 'Oaklee Employment Services' provided a register of staff available to fill temporary staffing requirements in residential homes. And, 'Inspire Wellbeing' remains a joint venture with Northern Ireland Action for Mental Health (NIAMH) which provides support services for people with learning disabilities in NI.

Recent merger activity with Trinity HA saw a new legal entity formed – OakleeTrinity – making it the largest HA in NI with a portfolio of around 9,000 units in management (and subsequently with Ulidia to become Choice HA). In 2012, SHAC HA, Broadway HA Ltd and Open Door HA all became part of the Oaklee Homes Group. In the case of SHAC and Open Door it was decided to incorporate them into the group structure as subsidiaries with retained boards to assist the integration process; both chairs were co-opted onto the parent board.

Oaklee Homes Group had five sub-boards / committees. Each chair had vast experience and expertise dealing with the business of their respective sub-board / committee. A total of 19 people sat on the 5 sub-boards / committees. This ranged from 7-8 on the Audit and Risk; Remuneration; and Nominations committees; and 13-15 on the Housing Operations Board and Finance Committee.

A number of working groups were also established within the organisation. BMs, senior staff, and some external stakeholders formed groups to assess opportunities for Value for Money (VfM) and business growth. Guests had been invited to present on certain themes (e.g. estate agents, solicitors, NIHE planners) and many of the innovative ideas that the HA had pursued emanated from these working groups.

The ambition of the board was to scale up and to look for large projects with critical mass. With recent merger activity the board had found it difficult to arrange a calendar of meetings but attendance had still been good. The PA to the CE recorded the minutes at meetings. Minutes were typically 8-10 pages for a 2.5 hour meeting and reference was made to specific individuals who raised certain points. The last page included a list of decisions made or action points which

the chair dealt with under matters arising at the next board meeting. Minutes were also written with the knowledge that external stakeholders can obtain copies so confidential information is handled sensitively.

There was some flexibility with sub-board / committee meetings as some BMs were retired and others still in employment. Group board meetings were normally held on Thursdays at 11.00am although this sometimes changed to enable BMs to attend other Oaklee meetings on the same day. Attendance stood at between 65-70% which included some long-term illnesses; the 11.00am start was also preferable to later starts as some BMs had to travel back to Coleraine/Londonderry/Derry.

Board membership comprised 13 BMs which included seven females and six males. Religious denominations were well mixed. There were no BMs with disabilities or from ethnic minority backgrounds. As the HA possesses the largest portfolio of schemes and partners working with disabled households and has 12 different nationalities as clients, increasing board diversity was being considered by the HA. These groups were well represented in staffing structures but not at board level. BMs collectively possessed a wide range of skills and expertise which included: Business, Education, Finance and Banking, Health and Social Care, Housing Management, HR, Law, Marketing, Planning, amongst others. Skills on the group board could have been strengthened in design/architecture and/or development although there was an architect on the Operations sub-board. There were also a few members on the Oaklee Homes Group Board and the Oaklee Housing Trust Board with senior government experience which had helped the organisation engage better with policy makers.

At the beginning long-term BMs joined for philanthropic reasons and given the history of James Butcher and Nih HAs there was a big emphasis on caring backgrounds. Now the board possessed a wide range of skills and sector backgrounds and had adapted to the new operating environment. Recruitment to the board was by advertisement and interview although BMs could still be approached informally. There were experiences in the past were external advertisement had not be as efficient as the informal approach of using professional networks.

The Chair was a former senior partner in Deloittes and responded to an advertisement to become a BM in 2007, and became chair through an internal appointment process in 2012. The Chair had his own office next to the CE which was sometimes used for meetings. Chair positions in Oaklee were normally recruited from within the board. The Chair would also generally ensure that BM views on contentious items were known in advance and that there were no 'surprises' during board meetings. He would personally make contact with BMs who had concerns between meetings. The CE and Chair had a close working relationship; the latter was described as being supportive but challenging. The chair had a special business interest in development and had set up a VfM working group – which he also chaired - to examine ways in which housing units could be developed cheaper and more efficiently.

Oaklee Housing employed a Tenant Participation Officer (TPO) who reported directly to the CE. She worked with three regional fora, a Central Tenants Forum in NI and another Tenants Forum

in Dublin. Each month a report was compiled by the TPO in conjunction with the tenants and delivered to the board by the tenant BM. The Tenants Forum was well represented by tenants who lived in sheltered housing despite accounting for only 30% of all tenants. Participation by general needs tenants hadn't received the same level of uptake as sheltered housing schemes given its dispersed nature.

Consultants were used to advise on tenant inspectors. Inspectors were interviewed individually, followed by an induction exercise with the consultants and another organisation to help tenants develop skills. Induction lasted two days (including overnight accommodation) with senior management and Supporting Communities Northern Ireland (SCNI) staff also present to deliver training. There was also training provision for tenant forum members and inspectors in a range of areas; some had attended Capita conferences on tenant engagement. There were a total of 7 tenant inspectors. One tenant inspection on relets and voids resulted in approximately 18 changes to policies.

The appraisal process was a self-appraisal questionnaire followed by a discussion with the chair. Appraisals were partly used to conduct skills analyses – and a number of times the board tried to rate the depth of experience and skills. For example BMs had joined the board with a specific discipline e.g. law, finance but made a significant contribution to business decisions and had great business acumen. BMs regularly participated in training and development. Following the appraisal process some BMs had requested training around Finance and Treasury Management. The governance menu across the calendar year contained a mix of formal and informal meetings, pre-board sessions, working groups, and an annual board review day to update the business plan, review the operating context, and conduct SWOT and PEST analyses.

Key Strategic Issues

OakleeTrinity Merger – The merger came about following a conversation between the two CEs. Both recognised the business advantages of coming together and building capacity in a rapidly changing environment. Following a meeting between the two CEs and two Chairs it was agreed by the Oaklee and Trinity boards - after discussion - to pursue with the merger. The Boards of Oaklee and Trinity then appointed formal representatives (Chairs and Vice-Chairs) to extend the discussions before creating an interim board comprising four from each organisation. The interim Board was authorised to discuss the key issues and take recommendations back to the individual boards for approval. The interim Board - as a temporary vehicle of governance - made it easier to take work forward than having all 28 BMs discussing the issues. The management teams were also engaged throughout the process and two independent consultants were appointed to provide an external validation on a new management structure. Some efficiency savings were identified right away around IT investment although the starting premise was not about saving money but building capacity to deliver more for communities by perhaps - in the future - raising bond finance or brining more services in-house.

Governance in Action – Board Meeting March 26ᵗʰ 2014

The observed board meeting was conducted formally and efficiently by the chair. The meeting started just shortly after 11.00am with thirteen BMs (6 males and 7 females) and five officers present. A further four members - of the Housing Operations Divisional Board and Open Door HA Board - were invited to attend as observers. Dress code was formal; all comments were addressed formally through the chair. No projector or presentations were used and reference was to a paper agenda which was split into two sections. The first substantive part of the agenda focused on the implementation of the OakleeTrinity merger. The Finance Session was the second substantive part of the agenda. All members sat round the table headed by the Chair, Vice Chair, and Group CE. There were no reports or updates from the sub-committees. The Chair welcomed everyone to the meeting. Meeting closed at 12.50pm.

Issues and points of discussion were also observed

Finance: The finance session lasted for approximately fifty minutes. It covered reports by the Group Financial Controller on the management accounts and the budget for 14/15. The Chair advised the board that OHG was going into the merger in a strong and stable position. The Group FD tabled a report on the prepared budget post-merger. Work was being conducted on reviewing the organisational structure, subject to a business case and agreement by the board.

Merger Activity: A fifteen minute discussion took place about existing and proposed merger activity. This covered queries about OHG's widened shareholder base which increased when Open Door joined the Group. It was agreed that when OakleeTrinity is registered with the CCNI, the membership base should be increased further. OakleeTrinity was now registered as a new legal entity but the HA could not accept transfer of engagements until it received charitable status. The CCNI advised that this could take as long as three months; however, the application was fast tracked after approval was granted by DSD.

Direct Labour Organisation: The Group CE updated the board on visits to the UK to look at Direct Labour Organisations (DLOs). Organisations shared information on performance management, service improvements and flexibility, and the development of more business-like contractual relationships. The Chair reported that OHG had a long-standing partnership with a Scottish HA; they visited Oaklee recently and offered to share their experiences in this area. This discussion lasted approximately 15 minutes.

Tenancy Fraud: Under Any Other Business, the tenant BM referred to a publication by the NIAO on tenancy fraud and requested a paper to the board. A BBC documentary had raised the issue of tenancy fraud the week previously. The CE advised he had met with the NIAO when the report was first published. NIAO had also sought a meeting with OakleeTrinity to hear about its plans for tackling tenancy fraud.

Conclusions – key observations

- Oaklee Homes Group operated a **complex group structure** comprising a parent company; subsidiary companies; divisional sub-boards; sub-committees; and various working groups which operated across two jurisdictions with some confusion about roles and relationships.
- **A streamlined governance structure was being developed** following the merger with Trinity to appoint a new board, consolidate the housing operations of the group, and to consider the role of Trinity tenants in governance.
- The organisation had a clear vision to **upscale and build capacity in finance and personnel.**
- Significant **expertise in the merger process** has been gathered since its own inception as well as the additions of Larne and District HA, SHAC, Broadway, Open Door and Trinity Housing Associations (and since then Ulidia).
- **a strong partnership ethos** had resulted in links being forged with another HA of a similar governance structure and size in Scotland; over **thirty joint management partners**; and **a joint venture** with NIAMH.
- OHG had **various channels of accountability for tenants.** The organisation also **invested time and resources in tenant training and development** to ensure effectiveness of such.
- Oaklee **had robust board processes** in place which are implemented effectively by the vastly experienced company secretary.

5.2.3 HELM HOUSING ASSOCIATION

HEADLINE ISSUES FROM INTERVIEWS AND BOARD OBSERVATION – MAY 7 2014

History and Background

Helm is one of the largest HAs in NI with a stock of approximately 5,500 units which comprises 1,200 sheltered housing units, 600 jointly managed units and the remainder general needs units. It provides accommodation for circa 15,000 tenants and operates across the whole of NI. Formed as Belfast Improved Housing (BIH) in 1975, it changed its name to Helm on 1st April 2009 and has a Vision "*to build neighbourhoods and create thriving and empowered communities*".

Inspection timeline

Helm passed a routine inspection by the DSD in 2009. Following emerging concerns about a particular site that had been purchased - but not developed - the DSD commenced a further detailed inspection process in 2010. The inspection fieldwork lasted through 2011, and a subsequent inspection report was published in January 2012, rating the organisation as having "no assurance". Since this period the HA - and its corporate governance - has changed substantially with a complete turnover of board membership and Senior Management Team (SMT). In spring 2012 three BMs were appointed with a view they would transition into a new

board. The existing BMs resigned en mass in August 2012 and at that stage the three newly appointed BMs began the process of appointing a new board.

The most recent DSD inspection report was published in October 2013 which gave Helm a "satisfactory assurance" rating. More recently the HA had an internal audit review which gave Helm a "substantial assurance" in relation to corporate governance. A lot of progress has been made in dealing with the legacy issues and concerns raised by the DSD in its 2012 report, and the board and SMT were keen to ensure that the HA makes a key contribution to the SHDP.

Governance arrangements

The board of eight now included three women - one of whom is the Chair of Helm - and five men. There was a wide range of professional skills and expertise, with only one possible gap identified in relation to HR. From a diversity point of view the board agreed that it could be better representative of its tenants' ethnic profile.

The longest serving BM has been in post since spring 2012 but most had been in post for approximately 12-18 months. The majority of BMs were of working age, working in a range of fields including accountancy, legal, commercial, and consultancy roles. The Chair of the Tenants Forum was also a BM who had experience of working on cross-community projects and representing views of tenants. Most of the individuals are new to the HA movement although one BM was a former CE of a large English HA and had significant experience of the English HA sector. There was strong private sector and commercial awareness on the board with the majority operating in a private environment. Several worked in the public sector or alongside public sector partners. BMs had significant experience of working across a range of different stakeholder groups. In terms of the SMT, the FD had been in post the longest, for approximately 2 years. Other SMT colleagues had been appointed since then. The DSD was particularly keen for the organisation to appoint a permanent CE. This was the last of the new SMT appointments and was made in June 2013.

Following a process of review the board had approved the development of a new Tenant Engagement Strategy as part of its Business Plan. The HA had a Tenants' Forum of approximately 30 tenants and, from this, a group of officers were appointed to a Forum Executive. Helm's SMT consults with the Executive on any proposed changes to policies and procedures, which is then submitted to the Forum for approval; tenants are engaged and consulted on any changes that might affect them.

The CE had introduced monthly departmental meetings which focused on the running of the business. Previously managers didn't meet regularly nor were they asked to report on departmental performance against performance metrics. Rather they met to agree papers to go to the board; now senior managers have responsibility for the performance of their area and have a clear view of the expectations and improvements required. The board now receives performance reports; this new method of reporting contained metrics which assessed both performance and conformance requirements of the HA. The CE also convened additional

meetings to review the preparation for, and conduct debriefs of, board meetings (separate of the monthly departmental meetings).

Key Strategic Issues

Mergers and Partnership Working

The Board believed that **partnership working** and the need to **upscale** was critical if the HA is to play a substantial role in the sector.

Social Enterprise and Community Investment

In early 2014 Helm became a member of Social Enterprise Northern Ireland (SENI). The board of Helm were very strong advocates of the **social enterprise movement** and considered it important to be associated with other strong social enterprises beyond the housing sector. Helm was also in the process of developing a social impact measurement framework. It was anticipated that when completed, the measurement framework would highlight Key Performance Indicators (KPIs) that would help bolster and measure the HA's social value. The board believed that the flexibility and value of its business model worked best if it was perceived to be a social enterprise and in order to leverage in private finance. As part of a move to inform and influence broader discussions on the importance of housing, Helm has also joined the Confederation of British Industry (CBI).

Direct Labour Organisations

The board of Helm was exploring the potential of creating a **Direct Labour Organisation (DLO)**. Six areas of service delivery had been identified where having a DLO might have been beneficial to the HA. Business planning had been developed collaboratively by the Board and SMT who saw major opportunities in terms of **diversifying** revenue streams, **regenerating** communities, creating **apprenticeships**, and delivering more **efficient and effective services**. Whereas the quality of work by contractors can vary, the board believed that creating its own bespoke DLO structure would result in more ownership and control over quality and service delivery. There were also frustrations felt by the board in relation to the **procurement strategy**. The board had had lengthy discussions about procurement particularly the merits and demerits of using NEC3 contracts. The strong commercial awareness of the board means that it is well informed and able to take decisions on efficient business practices regarding procurement.

Governance practices

Board meetings are scheduled for eight times a year although for the previous 12 months they had been occurring on an almost monthly basis. Meetings typically last approximately three hours from 5pm to 8pm. Agenda items are categorised for approval, for information or for noting; items for noting come up from one of the two subcommittees. This format enables conversations to be more focused and, if pushed for time, the board can direct its attention to

the business that needs approval. To date the new board had been able to reach consensus on decisions.

There were only two subcommittees which met quarterly. The audit and risk committee and the housing and property services committee provide verbal reports to the board covering agenda items by exception; BMs have access to all sub-committee papers. There were no co-optees on any of the committees, each having between 3-4 BMs. There had been some discussions about possibly creating two further committees in future (development and finance). All work of this nature was reported to the board for information or for approval. The ideal size of the board had also been considered in order to service four committees.

Interaction of BMs outside of the Boardroom occurred through project groups (e.g. partnership working) and annual participation in a Strategy Day. The Strategy Day brings BMs together outside of regular board business and gives an opportunity to present thoughts and ideas in line with a pre-agreed theme. BMs and staff are divided into sub-groups and focus on aspects of the business where discussions tend to be more fluid.

A public relations advisor was procured last year and had being offering advice on how best to use social media to engage with key stakeholders. The HA has three Twitter accounts which are used by the CE, the Chair and a Helm account managed by Corporate Services. The Helm account was managed by the research officer who liaises with the relevant director / heads of service when queries are raised. Any response is quality assured by the Head of Corporate Services before being issued. The CE is also proactive in blogging and participating in conferences / events which helps to disseminate key messages about Helm. BMs also have their own Helm email accounts.

Board Induction

When expressing an interest to join the board, prospective BMs receive material which gives them an insight to Helm. Once BMs are invited to join the board there is an induction exercise that takes them through in detail what the expectations are and what the role and commitment is before giving final agreement. Once agreed, a full one day induction takes place. BMs spend time with each of the heads of department to get an overview of how work translates up to board level; they gain insight to the different aspects of the HA in terms of the day to day business; and visit Helm properties / schemes. New members also receive a copy of the BM Handbook which is constantly updated. New BMs don't join a committee automatically and have time to settle into their new role. They also spend time with staff on certain parts of the business to gain a better understanding of how officers do their work.

Agenda Construction and Management

The agenda for board meetings is agreed by the Chair and CE following the previous board meeting. Following early consideration some tweaks may be made, agreed by the Chair, and then circulated to BMs. The Board's focus would encompass both strategic and operational

issues - which can be very nuanced - depending on an assessment of risk. Strategic issues are normally at the front end of the agenda which is followed up by a performance review of each department. The board considers all of the key issues at each meeting balancing strategic and operational matters.

Chair CE Relations

A good professional working relationship was reported to exist between Chair and CE; both were accessible to one another and in regular contact every couple of days via phone or email. They met weekly and the Chair regularly visited the Helm office. The Chair is happy for papers to come back to board meetings if further work is required but is less relaxed about the board procrastinating over or not making decisions.

Board Appraisals and Development

In terms of BM appraisals, one of the BMs was a former CE of, and has links to, a HA in the South of England. These channels have been used to share best practice and information around BM appraisals. Work was also recently undertaken by a consultant to advise on a system of appraisal for BMs. Annual appraisals had been completed with all BMs and development opportunities had been identified. In relation to training and development some BMs felt strongly about the need to build skills and capacity across the sector. BMs have received training on various aspects of governance. Both the Chair and Vice Chair were undertaking a governance programme called 'Leading Effective Boards' at the Leadership Institute, Queen's University Belfast. This eight-week course was designed to make the Chair and Vice Chair aware of key governance issues; it also provided opportunities to network with other non-executive directors and to enhance skills and knowledge.

Governance in Action – Board Meeting May 7th 2014

The observed board meeting took place at Helm House on the 7th May 2014. Prior to the meeting, BMs met for refreshments and hot food at 5pm. This was followed by a briefing update by two DSD officials on the SHRP followed by a short Q&A session.

The observed board meeting was conducted formally and efficiently by the Chair. The meeting started promptly at 17.30pm with fifteen in attendance. Six officers including the Chief Executive, Director of Finance, Director of Housing, Director of Property Services, Director of Development, Head of Corporate Services and the Personal Assistant to the Chief Executive were in attendance. All eight Board members were present. All sat around a rectangular shaped table headed by the Chair, Vice Chair and CE. The boardroom was very spacious and although there was projector facilities in place, no presentations or IT equipment was used during the course of the meeting. Dress code was formal and all comments were addressed formally through the Chair.

The Chair commenced by welcoming everyone to the meeting including the University of Ulster as part of the research project. This business of the Board then considered apologies,

declarations of interest, minutes of the previous meeting and matters arising. This was followed by a ten-minute report by the CE on a number of issues. Chair's business was kept to a closed session with members after the Board meeting closed at 19.20pm. The Board meeting itself lasted for one hour and forty minutes.

Participation of Board members in the discussion was observed during the meeting.

All BMs made a contribution to the board meeting. Discussions were primarily focused on finance and development and members' expertise was clearly evident during these respective discussions.

Comments and queries were wide-ranging. Clarification was sought on the risk register which two BMs agreed to discuss outside of the board meeting before reporting back to the Chair; it was agreed to share performance metrics with staff in order to cascade information through the organisation. There was also robust challenge and numerous comments about how information was presented to the Board. One Board member wished to see more decisions delegated to the SMT.

The discussion on development was inclusive and robust. The legal expert contributed during the discussion of the organisation's proposed Whistleblowing Policy. It was also evident that there were differences of opinion between BMs during some of the discussions which was welcomed by the Chair. The Chair was happy for discussions to flow and reach consensus/conclusion.

Issues and duration of discussion were also observed

Finance and development were the two substantive issues discussed during the board meeting. The sessions were robust and challenging with significant overlaps; both the Director of Finance and the Director of Development were present to clarify and answer questions from BMs. The finance session lasted for 40 minutes and the development session lasted for 35 minutes.

FINANCE

Helm has no finance committee in place so all financial reporting comes to the board for information and/or approval. The FD presented the Finance Report to the Board. There was robust discussion and challenge on all aspects of the Finance Report particularly around the Treasury Management Policy. There was also a paper put forward on funding options which the Board discussed in detail.

DEVELOPMENT

The Director of Development presented a Development Summary Report which included a full report on proposed development activity. The Board had previously approved consultation of a transfer site from the NIHE. Members were briefed on the community consultation exercise and a full discussion ensued about this particular site which has been zoned for housing development under the Belfast Metropolitan Area Plan (BMAP). The Board then agreed on a course of action for the Director of Development to take forward.

TENANTS' REPORT

The minutes of the meeting of the Tenants' Forum were presented by the Tenant BM and a discussion took place in relation to Service Charges.

There were no points of significant disagreement:

Conclusions - Key Observations:

- Helm now has a board mainly of **highly skilled, working age individuals who have experiences** of the public, private and voluntary/community sectors. They have particularly **strong private backgrounds and commercial awareness**.
- The board is quite **diverse in terms of age and gender** but **not in terms of ethnicity**.
- A new **BM appraisal process has been successfully implemented from which BM development opportunities have been identified**. This system of appraisal will measure the contribution made by members to the work of the Board and sub-committees.
- The Board is focused on **improving the performance culture with staff** by sharing balance scorecard information, and by having greater levels of interaction with staff.
- **Finance and Development subcommittees were being considered for the future**. The Board has agreed that this will be kept under review along with any **additional BMs and/or co-optees which may be required**.
- The organisation is keen to **inform and influence other agendas** and to identify itself with broader **social enterprise and business sectors** in addition to the HA sector.
- The Board is keen to **diversify revenue streams** and continue to **improve and deliver more efficient and effective services** to **tenants**.
- Helm is committed to **improving tenant engagement** and has approved the development of a new **Tenant Engagement Strategy** for the organisation which will be approved in 2015.

5.2.4 APEX HOUSING ASSOCIATION

HEADLINES ISSUES FROM INTERVIEWS AND BOARD OBSERVATION – MAY 28 2014

Background

Apex Housing Association (Apex) is another of the largest HAs in NI with approximately 3,500 units. Its head office is based in Derry/Londonderry, with a second office in Belfast city centre managing circa 1,000 units. It previously had a smaller office in West Belfast, but relocated to the city centre as the organisation is now building in interface areas and doesn't want to be perceived as just building for one side of the community in Belfast. It operates across the whole of NI and provides a wide range of housing and housing related services including: family housing, sheltered accommodation, nursing accommodation, housing with care accommodation, hostel accommodation, accommodation for people with mental health and accommodation for people with learning disabilities. The HA has an ambitious development programme with 600 units currently on-site and land purchased to build 700 more units. This

development activity led to Apex exploring a new partnership with Newington HA (which has now been ratified under a group structure arrangement).

Governance Arrangements

Board membership reflects the historical geographical focus of Apex, with the majority of BMs living in the Derry area. There are currently 13 BMs from a maximum of 15 positions. The Board of 13 includes nine men and four women, who collectively possess an extensive range of skills and experience. Some BMs also carry out unannounced visits to care schemes and talk to staff independently of scheme managers and write recommendations based on their visit. The CE and Chair both described having a good working relationship.

BMs had experience of governance practices in housing and other sectors. Two had interlocking directorships with Inner City Trust; one BM sat on the Board of NIFHA and NILGOS; another BM was a political representative who spoke on behalf of tenants in care accommodation; one BM had previously held a high profile public appointment; and a previous member sat on the Board of the North Side Development Trust.

Apex has a TP structure consisting of 5 regional fora covering Derry, Belfast, Dungannon, Portstewart and Fermanagh/Tyrone. Thirty two tenants represent respective areas at a Community Involvement Forum. The Chair of the Forum automatically assumes a position on the Apex board as a tenant representative. Apex has found it difficult to get tenants involved with regional structures, particularly those who live in smaller developments. It was felt that tenant feedback through these structures had not been commensurate with the effort put in, and as a consequence, Apex HA was considering working more closely with existing community structures rather than their own.

Two additional organisations come under the auspices of Apex. Fairbuild Homes (NI) Ltd (Fairbuild) is part of the Apex group structure, is a not-for-profit subsidiary, and has developed a recent scheme selling seventeen houses on the open market. It has four directors, two of whom sit on the board of Apex. Legal documentation sets out the relationship between the two entities and there is also a covenant in place that ensures any profits are reinvested back to Apex. Apex HA (Ireland) Ltd is an associated company operating in RoI. Apex provides management and maintenance services to the company through a Service Level Agreement (SLA).

Following a skills review, legal and financial expertise were identified as skills deficits. Apex filled these gaps by appointing a Chartered Accountant and a qualified solicitor to the board. In both instances existing BMs were able to recruit suitable BMs by approaching individuals through their professional networks. The CE also identified a gap in architectural/building technology. Recruitment generally tends to be via word of mouth. Advertising positions and working with NIFHA are only considered if the informal process doesn't yield required skill sets.

Under the DSD's maximum term of office four BMs recently exceeded the maximum tenure of nine years. These members had at least a year's break from the board after which they were invited to re-join. The Chair - a previous tenant - entered his third year of a five-year tenure having previously been Vice-Chair and Treasurer; the chair position is always recruited from within board membership. The HA had just begun the process of BM appraisals for a second year; the Chair's assessment was conducted more informally by the internal auditor.

Apex had been actively trying to refresh its board and managed to attract younger BMs of working age. Whilst the age profile has diversified slightly, there have been minor difficulties for some BMs in terms of the timing and frequency of meetings and childcare arrangements. Board meetings switched from 8pm to 5.30pm to try and best accommodate all BMs.

Key Strategic Issues

Access to **private finance** and liquidity were considered the greatest strategic risks for the HA. The board was aware of the liquidity risk and the need to secure private finance on a timely basis to continue its development programme. The board commissioned a financial consultancy company to conduct financial profiling and to present options on borrowing capacity and how best to maintain adequate levels of liquidity. The Finance Committee is very active and had met 13 times in the previous 12 months. It comprised individuals with financial expertise including a Chartered Accountant. The Treasurer presented a report to the board at every board meeting which outlined the HA's liquidity position and financial covenants with lenders.

The **development** function and **organisational growth** were key strategic priorities for the board. The HA's development programme averages circa 250-300 social units a year and this has led to discussions about expanding the group structure. A due diligence exercise was being carried out (at the time of the research) by the solicitors and accountants of both Apex and Newington; a consolidation of both balance sheets had the potential to enable more development activity. The board was also clear that this venture has to be of mutual benefit to both HAs with Newington bringing community knowledge and Apex bringing development expertise and other backroom support.

Governance in Action – Board Meeting May 28th 2014

The observed board meeting tied in with the board Away Day which was held at the Belfast office. The Away Day included a series of visits to Apex and Fairbuild housing / development schemes, followed by a board meeting, and concluded with a formal meeting with the board of Newington. Board meetings take place six times a year and generally start with a presentation from one of the executive directors. This cycle of reporting usually takes up the first 30 minutes of each board meeting.

Meeting Environment

The Boardroom had air conditioning, plenty of natural light, a small kitchen area, and a large overhead projector. The meeting was conducted quite informally but efficiently by the chair. It

started at 15.35pm with 7 board members present, comprising 6 males and 1 female. Two officers were present including the CE and FD. All 9 sat round a single table with the chair at the head; the CEO sat in the middle. Board papers were bounded in booklets and contained the minutes of the sub-committee meetings along with the various other papers for BMs. A separate booklet was also produced containing information relating to the Away Day. Dress code was smart casual, first names were used throughout and comments were mainly free flowing. The overhead projector was used by the FD when giving his presentation on the Financial Plan. The Chair started by welcoming the Ulster University staff to the meeting. There were no declarations of interest recorded, apologies were noted, and a previous BM who stood down about a year ago indicated a desire to re-join the board. The meeting closed at 17.30pm.

Agenda Construction and Information Management

The agenda construction had been explained during interviews by the CE and Chair prior to the meeting. Planning for each board meeting normally starts at the end of the previous meeting. The Chair would receive the paperwork in advance, review it, and then contact the CE if anything clarification was needed. Meetings typically last two hours; votes on items although used in the past had not been required in the last few years. All papers are clearly labelled for approval, for discussion or for information. E-governance is not widely used, although the website is being upgraded to act as a repository for board material. A comprehensive pack is sent out to all BMs a week in advance of the meetings.

Strategic Planning

The vision, mission and values of the HA are reviewed every three years. It starts with a workshop between the board and the SMT. The SMT and Operational Managers then undertake the same leadership exercise – separately facilitated by a consultant - and draft their own vision, mission and values. A draft corporate plan is then produced based on the work of the SMT and Operational Managers and circulated a month in advance of the board meeting for comments before being approved. It was reported that involvement of middle management in strategy formulation helps to distil the culture set by the board through the organisation.

Sub-Committees

A lot of detailed oversight work is carried out by Apex's four sub-committees. The audit, development, finance, and housing management committee meetings take place at lunchtime, and comprise between 3 and 4 BMs. A remuneration committee also meets once a year to appraise the CE's performance. At this meeting all committee minutes were approved en bloc and not tabled by the committee chairs. Each department in Apex reports annually on risk to the Audit and Risk Assurance committee (Audit Committee) and any movements are noted to the board on a quarterly basis. The board and SMT thought this approach to risk management worked well, however it was criticised by the DSD for not being listed as a regular item on the Audit Committee agenda. Last year the Audit Committee met three times during the year although the DSD recommended that it should meet at least four.

Participation of board members in the discussion was observed during the meeting.

All BMs made a contribution to the board meeting. BMs often deferred to the FD to clarify certain queries. The discussion surrounding the DSD inspection report was more inclusive. Queries from different BMs related to risk management, repair and maintenance, corporate strategy, external reputation and credit ratings.

Issues and duration of discussion were also observed.

Finance: The FD gave a comprehensive thirty-minute presentation on the Financial Plan. The plan gave a 35-year projection which was stress-tested and based on various assumptions. A full discussion took place afterwards. The board was also updated on a consultants' recommendation to seek a long-term bond issue to help replace short-term facilities and to assist the organisation obtain a more favourable credit rating. The CE confirmed that 4 schemes with a higher level of HAG were to be prioritised after which point the board would then need to decide about future schemes. Following a ten minute discussion and no disagreements the finance session finished at 16.15pm.

DSD Inspection: Under Matters Arising the board considered the DSD Round 3 Inspection Report. The CE gave a brief overview of the draft inspection report which received an overall satisfactory assurance. A 20-minute discussion ensued and there was some disappointment that there was no mention of best practice in the Finance section as in other sections. There were concerns raised about the perceived subjectiveness of DSD grading. The main topic of debate was the recommendation by the DSD that the Apex Corporate Plan wasn't measurable and that targets needed to be included. The SMT had adopted a corporate plan model similar to that used by a successful HA in England. The CE advised the board that they were compliant with the Housing Association Guide and that consultants had assisted with the production of the new plan. It was reported that the Business Plan was measurable. Following discussion the board decided not to accept the DSD recommendation and the CE agreed to pursue this issue with the inspectors.

Fairbuild Homes (NI) Ltd: The CE outlined progress on the new FairShare shared ownership scheme and its underpinning tripartite agreement between the homebuyer, Apex and the mortgage lender. The Participation Agreement outlined the legal responsibilities of each of the three parties. Solicitors had been appointed to look at this agreement and it had been circulated via the Council of Mortgage Lenders for comment. The board had a discussion about the level of interest by banks and the concept of "tenants in common". This discussion lasted 10 minutes.

There were no points of significant disagreement but the debate on the DSD inspection report led to the CE requesting authorisation from the board to make contact with the DSD to try and resolve the point regarding the Corporate Plan. This was in advance of a formal request being made by the board to resolve this concern.

Conclusions – key observations

- **Diversification of business streams and organisational growth** was being pursued to help improve liquidity. BMs were thinking of innovative ways to continue developing despite the reduction in HAG. This included development by a private subsidiary and expansion of its group structure to include Newington HA.
- **Mechanisms for building community accountability** are now being explored by liaising with existing community structures as the regional fora had not generated sufficient levels of TP. It was felt there could be more tenant representation on the board and more connection made between the board and tenants.
- **The utilisation of BM skills and experience** had been employed in various situations from I.T. systems, legal services, health and social care, community consultation, diversity of the workforce and finance. BMs also had experiences of other governance roles that complemented their duties as Apex BMs.
- **Awareness of regulator and tendency to assert independent decision-making** was apparent when not accepting the recommendation about corporate strategy. The board was also acutely aware of the impact of inspection reports on credit ratings and borrowing ability.
- **Involvement of middle management in strategy setting to help distil and spread the organisational culture**: Although the board was involved in the initial stages, the SMT and middle management both undertook the same leadership course before drafting a version of the corporate plan before being finally approved by the board.
- **Trust in the management team and open lines of communication** were cited as critical by numerous BMs in that they were content that information was forthcoming and that the management team were open, honest and transparent.

5.2.5 TRIANGLE HOUSING ASSOCIATON

HEADLINES ISSUES FROM INTERVIEWS AND BOARD OBSERVATION – JUNE 16 2014

Background

Triangle HA was established by nine women in 1977 to provide accommodation and support for women and children suffering from domestic violence. Working in close partnership with Coleraine Women's Aid it provided a refuge for eight women and their families. In the 1980s Triangle established links with 'Coleraine and District Society for people with a Mental Handicap' and developed another interest in accommodating the needs of those with learning disabilities. From the mid-1980s Triangle's interest extended further - helping young people leaving care and young homeless people - through partnerships with Barnardos and Simon Community.

In the mid-1990s, European funding helped to create initiatives for supported employment and a volunteer service which provides tenants with increased leisure facilities and work opportunities. A floating support service and rent guarantee scheme were also established during this time – through strong community links with the Quakers – to provide housing support to vulnerable adults with complex needs.

More recently - through a Big Lottery award - Triangle along with the Ulster University and other service providers undertook a three-year project to monitor progress and evaluate improvements for people with a learning disability moving from residential care to supported living options. Triangle's supported employment services have been expanded to include the development of social enterprise activities to facilitate progression towards employment opportunities. Today the HA manages almost 700 units of accommodation and provides supported accommodation, family housing and specialised care and support services for people with learning disabilities and complex needs. Thus Triangle is far more than a HA.

Governance Arrangements and Practices

Governance arrangements still reflect the history of the organisation, with the majority of BMs being female. In recent years measures have been taken to redress the gender imbalance - in light of DSD recommendations - and presently 8 females and 4 males sit on the board. A board of 12 services five sub-committees and ensures a quorum for meetings; nine BMs are still working and three are retired. The board undertakes an annual appraisal of its strengths and weaknesses and has identified skills gaps in relation to legal, HR and support services (nursing) backgrounds. A BM with legal expertise recently stood down under the nine-year rule of tenure. Members had a wide range of experience across a number of disciplines including: construction, good / community relations, housing, finance, support services, engineering, multi-media and academia and two BMs had long careers with the NIHE. There were no members on the board with disabilities.

Board Recruitment

Recent recruitment made use of different methods including the NIFHA register of interested individuals; a NIFHA speed dating exercise which matched potential BMs with HAs; use of its own website and through informal methods e.g. relationships with the regional university and professional networks.

Tenant Engagement

Despite internal discussions amongst the board and senior staff, no tenants or service users are currently represented on the board; this was however expected to soon change. The CE felt particularly strongly about TP and that tenant representation on the board 'wasn't just about tokenism'. Tenants from the Tenant Advisory Group (TAG) and the Progression of Employment Advisory Group (PEAG) attended committee meetings and presented on issues important to them. Tenants and service users were regularly involved in areas around recruitment and decision making processes and organised their own conference each year. There was an expectation that this exercise would lead to representation, firstly, onto one of the sub-committees, followed by the main board.

Agenda Management

A standard agenda template is used for each board meeting but is finalised by the Chair and CE before each meeting. The template for board and sub-committee meetings is reviewed each year at a strategy weekend for the board. The Chair and CE also discuss the agenda, the timing of agenda items and any information that needs presented. The Chair also engages with the chairs of sub-committees as they can sometimes make referrals to the board for discussion. Each agenda item is numbered and allocated a specific time slot. Papers are also listed against Key Performance Indicators (KPIs) and listed for discussion, approval or information. Summary papers are also provided where appropriate.

Sub-committees

There are five sub-committees of the main board. A Remuneration Committee also meets at least once annually. Anything raised at board meetings comes through the sub-committees; reports against the business plan also take place at each of the respective committees. Committees have typically between 4-5 members although Support Services Committee has 7 members. A qualified accountant is co-opted onto the Audit and Risk sub-committee which meets three times a year and is also attended by the internal and external auditors.

Role and Appointment of the Chair

The Chair and CE have regular contact and meet on a fortnightly basis with on-going contact on an almost daily basis. The vice-chair has been attending these meetings over recent months as part of the transition to becoming Chair in June 2014. The Chair and CE discuss in detail the nature of their own responsibilities - and those for the board and staff - in terms of strategic and operational responsibilities. The CE had been in post since 2007; the Chair joined the board in 2005 and was coming to the end of a two-year tenure. The role of Chair is a significant commitment and in addition to chairing the board meetings and meeting regularly with the CE, the Chair sat on four sub-committees, attended staff and tenant conferences, official openings and key stakeholder meetings, and dealt with board matters in between board meetings. The Chair is always recruited from within the board and tenure recently switched from a three year term to a two year term in light of the DSD's nine year rule. The CE and Chair believed that a shorter tenure was possible for Chairs because of the time spent by BMs on the board prior to holding an officer role and the fact that they would have grown up in the culture of the organisation and had an understanding of its work and strategy. It was felt that external appointment of a Chair would require a minimum of three years.

E-governance

One of the innovations in governance has been the introduction of e-governance and use of technology in the boardroom. All BMs have embraced this approach and used tablets to access board papers and material via Dropbox before board/sub-committee meetings took place. The information was downloaded onto tablets resulted in a significant reduction in the use of paper;

board meetings are now essentially paperless. There are also teleconferencing facilities available in the Boardroom which makes it possible for virtual meetings to take place. The intranet is used for storing general information about job descriptions, governance roles, key policies and documents but isn't used extensively by BMs. A review of IT and web based approaches was being considered.

Training and Development

New BMs complete an induction exercise with the CE. This includes an assessment of strengths and weaknesses and areas for training and development. New BMs also visit schemes and meet with tenants and service users which helps give them further insight into the work of the association. Members participate in an annual self-appraisal process and following debate at the annual strategy weekend a new Training and Development Committee had been established. The Director of Organisational Development and Communication worked with BMs to ascertain individual learning styles and types of training best suited for each member. Each BM had an individual training budget which linked with individual training plans.

Key Strategic Issues

Risk Assessment and Management

Triangle - advised by consultants - conducted a review of its approach to risk assessment and management and its risk register. Following discussion, the board concluded that it had too many risks registered and that it should focus more on the key corporate risks. This led to a revised scoring method and colour coding system where only main risks in the risk matrix are reported to the board. Departmental risk registers were also created and get reported to the committees. Risk registers are now categorised by department and there is a separate corporate risk register. Several training programmes for BMs and staff had been facilitated by consultants and this revised approach has enabled risk to be more accurately determined.

Procurement and Collaboration

Triangle has been involved in merger proposals and close collaboration with other partners and housing organisations. The board discussed the prospect of merging with another smaller HA before deciding not to progress. It also provides - through a Service Level Agreement - a maintenance service to Covenanter Residential Association and has a wide range of partnerships with Causeway Women's Aid, Simon Community NI, Positive Futures, Barnardos, Mainstay DRP, Autism Initiatives, Prospects and the Belfast and Northern Health and Social Care Trusts. Procurement is working well for Triangle and members of the Accord procurement group have joint processes in place for construction related activity and for goods and services e.g. stationary and window cleaning. According to members, its success had been due to the relatively smaller size of the group and that a good cultural fit and trust exists between the HAs. Triangle had also recently entered into a Lotto Bid with an English HA to roll out digital inclusion training to its service users to help enhance social inclusion and tenant influence.

Social Enterprise Activity

Since 2006, Triangle setup a social enterprise which operated as 'Alternative Angles'. It provides support to individuals with learning disabilities to experience and develop new skills and build confidence in order to enhance employment prospects. The enterprise works very closely with the Northern Health & Social Services Trust and operates across 5 locations in NI. It works with 180 employers to provide supported employment opportunities for people with learning disabilities and forms part of Triangle's Progression to Employment Service – funded by the European Social Fund, Northern Health and Social Care Trust and the Department for Employment and Learning.

Governance in Action – Board Meeting June 16ᵗʰ 2014

Members met at 5.30pm in the Triangle kitchen for hot food and refreshments. The board meeting commenced at 6.00pm with 10 BMs present (6 females and 4 males) along with the CE. It was conducted formally by the chair and the agenda was clearly laid out, items were numbered, time managed, and items linked to KPIs where applicable. Items were also listed for the required purpose, namely – for approval, for information or for information and discussion. Summary papers were provided for the finance report, the treasury report and the treasury management strategy. All sat round a single table headed by the chair who sat next to the CE. All BMs used electronic tablets to access papers and information. Dress was informal and comments were made through the chair who managed the meeting efficiently. No projector or presentations were used and reference was to an electronic agenda. The researcher was welcomed at the start of the meeting and a brief overview of the project was outlined to the board. The meeting closed at 8.05pm.

Apologies, declarations of conflict of interest, and approval of board minutes from the May strategy day were the first items to be considered. Although the agenda calendar is broadly agreed for the year, there are opportunities for ad-hoc issues to be raised by chairs of subcommittees, which are considered under matters referred. The Chair of the Housing and Development Committee then presented the draft minutes of the committee for approval followed by the 'matters referred' to the board; this was repeated for the Finance Committee, the Support Services Committee and the Audit and Risk Committee. None of the Directors of these respective departments were in attendance.

Participation of board members in the discussion was observed during the meeting.

Contributions and comments from members were wide-ranging with everyone having input. Some input was based on specialist knowledge and others were more generic in nature. It was evident during the 'Matters Referred' items of the sub-committee business certain members contained knowledge and expertise in these areas and contributed largely to these discussions. In relation to Housing and Development queries pertained to schemes of delegation regarding contracts; concerns about the quality of work and performance issues of a certain consultant;

use of NHF contracts for response maintenance as opposed to the NEC3 form of contract; and queries about sharing of risk between Triangle and one of its partner organisations.

Some discussion took place about the use of consultants; this covered different aspects of audit and benchmarking work; the levels of fees charged; reviewing the work of consultants to inform costings of future tender awards; and debate about what was acceptable to add to existing contracts versus putting new work out to tender.

Other members challenged turnover targets, and were advised that turnover tends to be higher when working in support services. Three members advised the board of schemes they had visited since the last board meeting. Finally, a board-learning calendar was provided for 2014-15 with key training and conference dates/opportunities provided.

The chair was fully in control of all discussions and meticulous in her handling of the agenda and BM participation.

Issues and duration of discussion were also observed.

Timings were not entirely consistent with that specified on the agenda but there was more than sufficient time to debate the items tabled.

Housing and Development: The housing and development discussion was quite diverse and lasted for twenty minutes. It covered issues concerning the quality of work by Joint Management Agencies and consultants; the appointment of consultants to the Accord QS Framework. A paper outlining the 'NIHE draft revised criteria for transfer schemes' was discussed which the board agreed to issue a response; the updated maintenance strategy contained a fire safety policy which had been delegated to officers in line with delegated authority; approval was also given for the purchase of sites and property. There was also some discussion about the difficulties in using NEC3 contracts for response maintenance and engagement with the COPE on use of other forms of contract which would need DSD approval; and the Asset Management strategy was approved as presented at the strategy day. There was demonstrable challenge, discussion, and queries from BMs but no discord.

Finance: The finance session was delivered by the chair of the Finance Committee lasting 10 minutes. Discussion on items was confined to one or two queries. In this case it appeared that the sub-committee scrutinised the finances in detail and presented summary information to the board for approval.

Audit and Risk: This was another area of substantive discussion which lasted for twenty minutes. It covered the programme of audit; changes to accounting rules and how stock is valued; a discussion about the fees charged by consultants; and the appointment of consultants for ICT and Health and Safety contracts.

Report against the Business Plan: The progress report was circulated in advance of the board meeting and was dealt with by way of questions and queries lasting fifteen minutes. Progress

was reported against the corporate strategy using the 5-year scorecard. Concerns were raised about risk of income collection and receipt of income from the Health Trusts as well as the commissioning process with voids and delays. The CE was due to present at a NIFHA Supporting People conference the following day and intended to raise these issues. The conference was also being used as a networking event to learn how other HAs were dealing with these problems. At one point the CE referred to the core mission of the organisation to underscore the importance of this work when queried if these schemes were worth progressing. It was agreed by the board that a resolution is required to risk sharing with the Trusts. It was also reported that the DSD and NIFHA were very much engaged in this issue and along with Atlantic Philanthropies hope to fund a Supported Housing Champion position to look at commissioning of services and partnership working.

Revisions to Quality Management System: This 20 minute discussion was tabled under the Governance KPI and required consideration of the HAs approach to the development and review of policies and procedures. There was a robust discussion about the review of the human resources procedures and the Chair and board asked for more information / clarification distinguishing between previous and updated versions. Following discussion it was agreed that all policies be circulated to all BMs and that the board could approve them remotely. This was an example of the board overturning the original proposal in order to satisfy section 6.26 of the Housing Association Guide.

There were no points of significant disagreement. Consensus was easily reached in all of the decisions although there was one item where the board overturned the original proposal. There was no disagreement between members and no votes had to be recorded.

Conclusions – key observations

- **Awareness of risk assessment and management** is clearly evident through the revised methodology for more accurately identifying and reporting risk. Departmental risks are carefully scrutinised which feeds into the corporate risk register and all BMs had attended various training sessions on risk facilitated by consultants.
- **An effective suite of sub-committees** are in operation, well-populated, and have a clear understanding of their delegated responsibilities and how their work feeds up to the board. One management accountant is co-opted onto the Audit and Risk Committee.
- **Training and Development** is a key focus for the organisation and for BMs. The Director of Organisational Development and Communication has established a new Training and Development Committee, identified learning styles of BMs and arranged training plans and budgets to help professional development
- **E-governance** has been embraced by all BMs and is working very well. Innovative use of technology in the Boardroom has made board meetings paperless and there are also facilities in place for virtual meetings to take place.
- Board members are **committed and passionate** about working with clients with **complex needs** and **carry out regular visits to schemes and services** as part of their duties.
- Although there were no tenants on board, Triangle had invested significant resources in improving the living conditions and life chances of its tenants and service users through **social enterprise activity, advisory and advocacy groups and conferences**.

- **A wide range of successful formal partnerships and informal links were in place** with key agencies and stakeholders including the Accord Procurement Group and Ulster University.
- **A wide range of contributions to discussion were apparent**: and the board were able to reach consensus on all issues without any disagreements between members.

5.3 Case Study Findings: Summary and Conclusions

The five case studies generated valuable additional findings on governance in practice in a variety of different contexts. Three case studies were of large and complex organisations while two were of more locally based associations with strong community links.

The case studies were all similarly structured to gain an understanding of board roles and BM participation and the way in which meetings were conducted and prepared for. There were some common themes with meetings generally conducted efficiently with a wide range of BM contributions to debates but with a tendency to defer to expert members on specific matters such as finance and development. Most meetings were able to reach consensus on the agenda items but also gave opportunities for robust challenge and different options to be considered. In a few cases items were taken back for further consideration by officers with final decisions deferred to later meetings.

Planning for meetings and agenda setting was generally undertaken by the Chair and the CE. There were variable practices in relation to the number and purpose of sub-committees and the extent to which business was fully delegated or returned to full board meetings. One case study that had operated through a single board was considering setting up Finance and Development sub-committees. Others had a number of sub-committees with delegated authority but on occasions certain issues were re-discussed at Board to confirm strategic decisions. The spread of e-governance was evident with several case study boards issuing BMs with ipads and using on-line systems to provide background information to support the board papers and correspondence prior to meetings, enabling shorter agendas.

A recurrent theme was the 'absent board member' whereby debates often revolved around the need to ensure that the organisation was compliant with DSD regulation on matters such as the nine year rule and succession, board appraisal and the format of corporate plans. While they were not at the table it was clear that DSD was an important audience to whom the minutes were addressed. In some cases boards and executives took issue with some specific regulator's interventions, but in most cases the emphasis was on ensuring regulatory compliance and demonstrating conformance. Interestingly despite the increasing importance of private finance the case study meetings agendas did not exhibit the same level of focus on ensuring compliance with lenders' covenants and other requirements. However, finance was an important topic at all of the meetings we observed. The emphasis on the board being in control of the organisation's

finance was a strong theme and most meetings allocated a substantial time to financial and business planning matters.

The case studies also showed evidence of a growing emphasis on performance, commercial acumen and risk management that went well beyond the conformance approaches outlined above. In one case awareness of risk assessment and management was evident. A revised methodology had been adopted to more accurately identify, report and scrutinise key risks and all BMs had attended externally facilitated training sessions on risk. BM training and development was evident in all of the case studies and is a key focus for the organisation and for BMs. In one case a new BM appraisal process has been successfully implemented from which BM development opportunities have been identified. This system of appraisal will measure the contribution made by members to the work of the Board and sub-committees.

Each case study report highlighted some key observations and these tended to differ between the smaller and larger organisations. One of the smaller case studies generated strong evidence on the value of community level governance in terms of local knowledge and sensitivities in managing community tensions (for example in new development in inter-face areas). This was supported by the length of connection and involvement of BMs and their links with other local organisations through strategic partnerships that maximised local accountability. The other smaller case study highlighted the personal commitment of BMs to the work of the organisation, particularly in relation to working with vulnerable groups in society at the local level and sustaining the HA's long-standing contribution in this respect.

The larger organisations, in contrast, tended to be more concerned with managing complex structures, and where possible streamlining and simplifying these structures to enable efficient corporate decision making across the whole organisation. One had set up a private housebuilding subsidiary and several were considering diversification activities with implications for future governance structures. Some had gained considerable experience in managing merger processes and integrating governance structures to support future growth and financial strength. However, some larger cases were also exercised about how they could strengthen community accountability and respond to local issues in the many different communities they now work with as they have grown away from specific localities. Managing local partnerships was a common theme for larger organisations, one of which had over 30 joint management agreements and a substantial joint venture in the supported housing field.

The case studies revealed substantial variations in BM backgrounds, with some organisations now successfully recruiting younger members in paid employment and achieving better gender mix. In one unusual case there had been strong regulatory pressure to reduce female dominance of board positions despite the specific origins of the HA. There were relatively few tenant members on case study boards but considerable desire to ensure that tenant concerns and experience were reflected in board deliberations (with BM training and parallel tenant engagement opportunities being promoted). One case study had recently adopted a new tenant engagement strategy. Another had invested time and resources in tenant training and

development to enable effective tenant engagement with governance. A third felt there could be more tenant representation on the board and more connection made between the board and tenants and with existing community governance structures outside of the HA itself. The generally very low Black and Minority Ethnic representation on boards was seen as a problem in some cases.

An indication of the level of motivation and commitment to mission among BMs was evident. In one case BMs were committed and passionate about working with clients with complex needs and carried out regular visits to schemes and services as part of their duties. In another case study BMs were keen to inform and influence other agendas and to identify itself with broader social enterprise and business sectors in addition to the HA sector, to diversify revenue streams and to improve and deliver more efficient and effective services to tenants. The utilisation of BM skills and experience was a key theme in another case study. This had been harnessed in various situations in advice and support and on matters including I.T. systems, legal services, health and social care, community consultation, diversity of the workforce and finance.

These case studies provided a richer picture of the research context than did the survey evidence. They highlighted the ways in which the organisations are constantly adapting to change and external challenges and support our observation of the need to shift from a conformance to a performance based governance culture as part of this successful adaptation process.

6. Where to Next: A Framework for Understanding Governance

In this final chapter we draw on several sources of inspiration to understand and interpret the governance experiences of HAs in Northern Ireland that have emerged from this study. Our broad framework of interpretation is inspired by Cornforth's[81] concept of paradox. This approach suggests that rather than there being a single prescription or route map to good governance, there are competing conceptions of what good looks like, informed by conflicting underlying principles (for example between conformance and performance, and between partnership and accountability). These competing views are reinforced by the variety of stakeholders involved in governance processes, each of whom bring their own experiences, interests and assumptions. Inevitably this leads to tensions within the governance process and the need for continuous adaptation and balancing to reflect changes in the environment.

The chapter begins (6.1) by introducing a conceptual framework from the strategic management literature that emphasises the dilemmas arising from competing understandings and purposes and the need to adopt different recipes to adapt to changes in the internal and external environments. Quinn & Rohrbaugh[82] trace these different recipes to competing underlying values but also recognise the role of contingent factors such as the stage of development of an organisation, their action agenda and their personnel. Their competing values framework provides a three-dimensional view of the factors seen as leading to organisational effectiveness and following Faerman and Miller (2003) we argue that these factors can also influence governance design. Four organisatiomal models follow these three competing values: open systems, rational goal, internal process and human relations models. It is argued that some of the contextual changes observed in NI have prompted shifts in focus from rational goals to more open systems and from internal processes to human relations. These adaptations have been necessary to accommodate a less stable environment and a shift from conformance to performance and towards more flexible responses based on professional skills and relationships rather than compliance with external prescriptions.

In the next section (6.2) we explore the underlying motivations and understandings of individual BMs and how these lead to dilemmas for boards in determining future direction. Key dilemmas affecting the structure and purpose of boards include the balance between being commercially minded and social hearted; between business efficiency and community accountability; between risk aversion and innovation conformance and performance, complexity and simplicity. This section draws mainly on the governance literature.

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[81] Cornforth C (2003) The Governance of Public and Non-profit organisations. Routledge. Cornforth C (2014) Non-Profit Governance Research: the need for innovative perspectives and approaches. In Cornforth C and Brown W (eds) Non-profit Governance. Routledge.
[82] Quinn R & Rohrbaugh J (1983) Towards a Competing Values approach to organisational analysis. Management Science 29.3 363-377.

Next we explore new data collected in the NI Governance project that directly explores the paradoxical views of governance held by people working in the sector, either as board members, executives, other housing staff or consultants. Using a tool developed by Bruce Moore in a PhD study of BM payment in English HAs, this section uses Q Methodology to sort competing views contained in 57 propositions about the role and purpose of governance with 28 sector respondents. The analysis identifies four main clusters of views aligned around their attitudes to the possibility of BM payment. While the largest cluster supported pay as a way of promoting professionalism, the other clusters were against pay but for different reasons. Some were concerned about the impact on integrity, others on the potential to make BMs more passive and compliant with executives while the final group saw control as more important than payments. Despite these differences there was also common ground in beliefs about governance with high concurrence that boards should not manage the business, should protect public assets, be small and cohesive and that no one size fits all.

6.1 Introduction and Conceptual Framework

BMs of HAs face numerous dilemmas when discharging their duties. They need to purposely stress the level of importance they attach to different organisational circumstances based on four factors: 1. the organisation's values and purpose 2. the organisation's stage of development 3. the organisation's current organisational action agenda 4. the role and strengths of staff[83]. Quinn & Rohrbaugh (1983) developed a Competing Values Framework of organizational effectiveness derived from three competing and contradictory beliefs people hold as to how organisational performance is best achieved. The value dimensions are based on: (internal versus external; stability versus flexibility; and means versus ends[84]).

- Organizational focus: is there more of an emphasis on the 'internal' well-being and development of individuals in the organization or on the 'external' environment and responses to organisational opportunities and threats?
- Organizational structure: is there more of an emphasis on the values of 'stability' and 'control' or alternatively on 'flexibility' and 'change'? (order and control do not mix well with innovation and change).
- Temporal focus: are performance evaluation criteria based on organisational processes ('means') which emphasise tendency of internal processes (e.g. audit and compliance) or on the organisational goals and outcomes ('ends') the organisation is seeking (e.g. more and better homes, social inclusion)?

From the competing values identified above a conceptual framework is created that provides four models which depending on what boards value and consider more or less important in the running of their organisations, lead to different routes of organisational effectiveness. These four models include the Human Relations Model; Open Systems Model; Internal Process Model

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[83] Faerman S and Miller J (2003) Making Good Board Choices. A Competing Vales Approach http://nonprofitquarterly.org/2003/03/21/making-good-board-choices-a-competing-values-approach/ (accessed September 2015)
[84] These competing values are recognised as leading to dilemmas in management and organizational studies literature.

and Rational Goal Model. These are now used in order to help understand the dilemmas facing HA boards in their pursuit of governance effectiveness.

6.1.1 Open Systems Model

The **Open Systems Model** emphasises staying well-informed and easily adjustable to change in the external environment. It prioritises flexible readiness to grow through resource acquisition, which implies less audit and compliance and more entrepreneurship and fleetness of foot. The basic assumption is that as modernisation, adaptability and continuous improvement can lead to much needed resources and external legitimacy. Boards that emphasise this realm have a strong input into the organisation's vision and boundary spanning roles with the intention of linking the organisation with its external environment. Board roles associated with this model include 'innovator' and 'broker'/'boundary spanner'.

Boards that adopt the innovator role are supportive, less risk averse and possess a greater forbearance for uncertainty. They also assist in identifying new business opportunities, new directions and different ways of responding to organisational challenges. On the other hand, boards that adopt the broker role act as a liaison to key organisational stakeholders, ensure that the organisation has the resources to deliver its goals as well as enhance organisational prestige and image. As boundary spanners, boards seek to develop essential relationship with important external constituents. For leadership to be effective in this quadrant (see figure 23) boards are likely to be adopting the open systems approach with executive staff and participating in networks or committees likely to engage other external constituents.

6.1.2 Rational Goal Model

The **Rational Goal Model** places a significant emphasis on stability and control with an external macro focus, by concentrating on planning and goal setting (as means) and productivity and goal accomplishment (as ends). This is predicated on the belief that clarity of purpose leads to positive outcomes, and that this is a principal concern of boards. Director and producer board roles are linked to this quadrant.

In assuming the director role boards ensure targets are unambiguous and aligned to the organisation's mission. It does so by formulating long-term organisational strategy with emphasis on goals, objectives, and roles and by ensuring organisational activities and key decisions fit with the overall mission. In the producer role boards are chiefly concerned with organisational success and goal accomplishment and expect regular updates on progress and performance. To be considered effective in this role, board members assess how well they deliver on promises, discharge their responsibilities and accept responsibility for organisational focus and viability.

6.1.3 Internal Process Model

This model accentuates standards of practice with information management and documentation (as means) and control and stability (as ends). **Internal Process Model** is predicated on the assumption that standardised practices and customs lead to organisational

stability, and that this is a principal motive for the board. Leadership roles in this quadrant include coordinator and monitor roles.
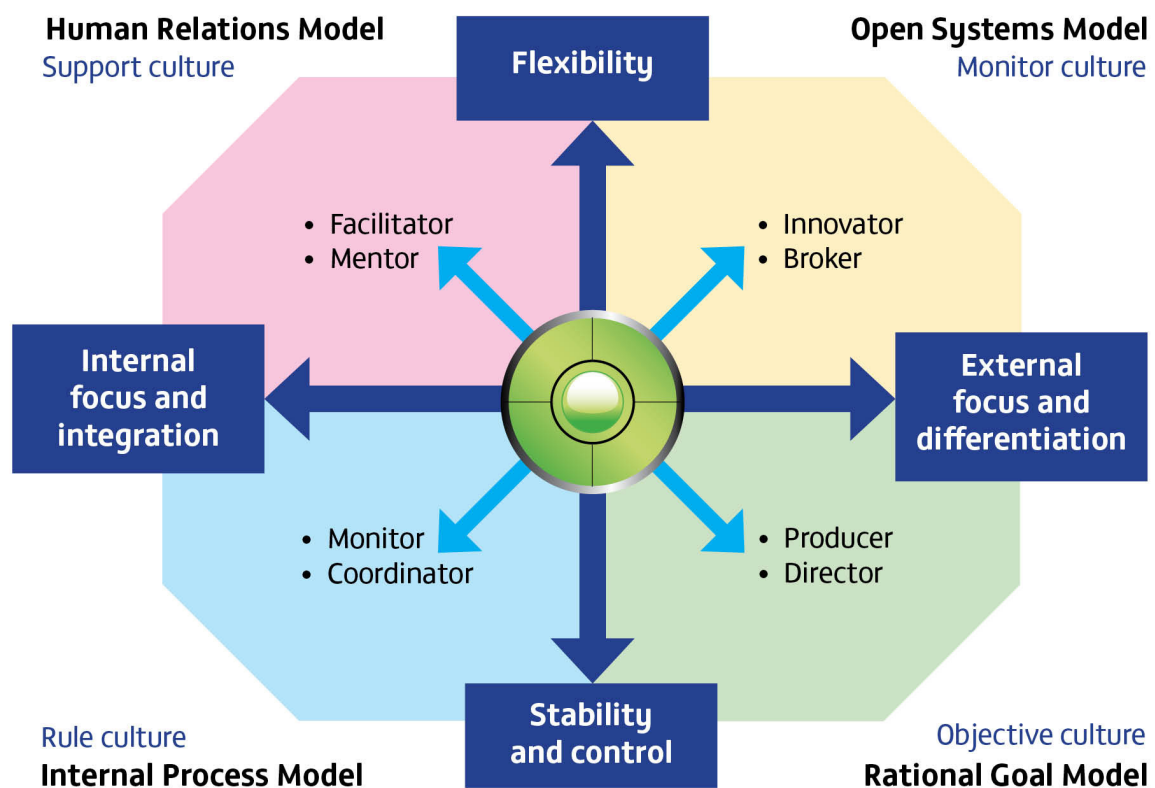
In the coordinator role, boards ensure that information structures and information flow are coordinated properly. Boards may attempt to manage the flow of external information, authorizing information flow that it considers useful to progress the work of the organisation. Board committees also play an important role in managing the information flow and assist in the completion of certain tasks. In adopting the monitor role, boards are primarily concerned with stability and control. They ensure goals are aligned to organisational purpose and budgetary restraints by exercising oversight particularly in relation to finances, risk management and planning decisions. The agency theory argument is inherent in this model in that without effective oversight, executive self-interest prevails in a manner which is inconsistent with organisational mission. Under this model effectiveness may be construed as boards which adhere to their fiduciary duties and provide effective oversight and also ensure standards are set in conjunction with staff.

6.1.4 Human Relation Model

The **Human Relations Model** is focused on individual development and integration and places greater emphasis on flexibility and internal focus, stressing criteria such as cohesion, morale, avoidance of conflict (as means) and induction, training and development, HR development issues (as ends). This model is predicated on the assumption that participation results in commitment and commitment results in excellence. In this quadrant boards can adopt mentor or facilitator roles.

In the mentor role, boards provide mentorship programmes and indoctrinate new members, and provide training and development for both staff and board members. Boards enhance organisational capacity by offering direction and support to the CE but at the same time respecting the expertise possessed by the CE in managing the day-to-day operations. In its facilitator capacity, boards concentrate on cohesiveness, morale, creating a culture of openness and shared purpose by engendering teamwork. By welcoming decision-making environments that allow for challenge and conflict and value diverse and divergent perspectives, the board ultimately develops group cohesion. For boards to be effective under this model, it must allow for robust, high-level debates, ensures processes are rigidly followed but also enables timely and effective decision-making.

Figure 23: **Competing Values and Leadership Roles of Organisational Effectiveness.**

Human Relations Model
Support culture

Open Systems Model
Monitor culture

Flexibility

- Facilitator
- Mentor

- Innovator
- Broker

Internal focus and integration

External focus and differentiation

- Monitor
- Coordinator

- Producer
- Director

Stability and control

Rule culture
Internal Process Model

Objective culture
Rational Goal Model

6.2 Board Dilemmas

Achieving an optimum balance between competing claims can result in improved organisational performance, harmonious relationships and contented stakeholders. However, a board's preoccupation with specific requirements and too much focus on any of the four models creates imbalance and is likely to damage organisational effectiveness. Organisational value streams develop from people's interpretations about their roles, previous experiences and their beliefs about what the organisation is there to achieve. Whilst it is important for boards to embrace and engage in the activities it is strongly values, there is also an imperative to strengthen areas of performance where attention has been lacking perhaps due to a skills deficit or due to certain actions being outwith the boards comfort zone. As each quadrant has a competing opposition with a contrasting role for boards, the competing values framework can be used by HAs to identify and target areas of weakness. It allows HA boards to constantly assess whether particular emphasis and action is over compensated in one value dimension at the expense of others.

For example, HA boards have to innovate, diversify business streams, explore new social enterprise activities, and discern opportunities in private markets yet at the same time have a firm grip on risk oversight, provide value for money to the taxpayer and satisfy multiple stakeholders. The range of activities that organisations undertake also bear influence on corporate governance structures. For example, organisations that expand geographically or diversify business streams need to recruit directors with specific knowledge and enhance understanding to those areas of expansion[85].

They must also be both commercially minded and social hearted, cogitate over the structural and behavioural aspects of the board and prioritise decisions based on resource availability. By virtue of their hybrid organisational status HAs are increasingly having to find ways to simultaneously achieve numerous objectives. The section below considers some of the competing claims and opposing forces faced by BMs. The Competing Values Framework can be used to offer better performance support by abolishing the need for traditional trade-offs.

The overwhelming majority of BMs considered the role of boards to be about ensuring the financial viability of the HA; determining its strategic objectives; monitoring its performance against objectives; ensuring the organization is involved in meeting housing need; judging priorities for spending and setting standards for service. Boards that focus too much attention in this respect will need to concentrate more on flexibility and the external environment to achieve better balance.

A second dilemma facing boards is how best to achieve the balance between business efficiency and community accountability[86], which will become an increasingly important role for boards as the DSD's Tenant Participation Strategy is implemented. BMs when considering the importance of their roles tend to place much more emphasis on the internal, person oriented value of prioritizing things. The importance that BMs assign to their individual roles therefore suggests the Human Relations Model is appropriate for many HAs. It places greater emphasis on flexibility and internal focus, stressing criteria such as cohesion, morale, and avoidance of conflict. Potential areas of improvement in this model are on the 'softer' skills of boards such as team working, equal opportunities, board mentorship programmes and protocols for informal engagement between BMs and staff to enhance 'domain knowledge' for BMs new to the sector. Survey evidence and case study evidence both highlight skills deficits in human resources. Board effectiveness is dependent on behavioural and relationship dynamics at board and sub-board level and this requires a more effective balance between facilitator and mentor roles for BMs.

Thirdly, the majority of stakeholders suggested that the current approach to regulation was very much compliance based, focused on processes rather than outcomes and created a culture of risk aversion rather than achieving organisational missions and sector goals. As the new regulatory framework embeds HA BMs should use the risk based and proportionate approach to

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[85] Baker, M, and Gompers, P (2003). "The Determinants of Board Structure at the Initial Public Offering." *Journal of Law & Economics* 46, no. 2: 569–598.

[86] Mullins D (2006) CompetingInstitutionalLogics?LocalAccountabilityandScaleandEfficiency inanExpandingNon-ProfitHousing Sector'*PublicPolicyandAdministration*21.36-21.

regulation to recalibrate their focus from internal process and compliance and more towards the rational goal model of productivity, goal setting and accomplishment.

In an article[87] on director's dilemmas, Professor Coulson-Thomas highlights a number of opposing forces facing board members:

- Width versus Depth. BMs need to be sufficiently engaged to be aware, but not too involved to risk 'going native'. Inadequate thought can lead to erroneous action or unintended consequences whilst spending time thinking about and developing an excellent strategy is futile unless BMs have the energy to implement it.

- Present and Future. Boards must be able to envision the road ahead, engage in innovative activities and provide strategic direction. In doing so a board has to decide what to change and what to retain which requires balance between change and continuity. For boards of many HAs in NI the latter has been very important and there is an issue of risk aversion that needs to be addressed.

- Rhetoric and Reality. HA BMs need to attain a balance between trust and challenge in relation to the matters delegated to the executives. Incessant questioning and extreme probing may be counterproductive and suggest a lack of trust; however inadequate oversight is also risky. Effective BMs provide constructive challenge and critical inquiry in order to move beyond discussion of symptoms and detect and solve root causes.

- Creativity and Compliance. Board entrepreneurship has to be tempered by prudence and control. Hence the recommendation in section two on the importance of discussing risk appetite. There are a number of aspects to balance. A board pursuing certainty of outcomes may be more inclined to command and control approaches to governance, agreeing policies and setting rigid guidelines. This may stifle innovation and make HAs more inflexible as their environment changes. By articulating preferred outcomes in broader terms provides discretion on how they may be best achieved and may also inspire consideration of new approaches – will the DSD welcome the greater uncertainty that might result?

- Complexity and Simplicity. Some boards lack expertise and experience and/or the intellect to understand issues e.g. finance and risk. On the other hand, some BMs get too enmeshed in the technical detail that they miss strategic reflections. Complex information should be communicated in a comprehensible format so that it can be understood by fellow BMs but there are dangers too with oversimplifying information. A balance must be struck between complexity and simplicity.

- Individuals and Organisations. Some BMs are principally concerned with corporate/organisational interests because they intuitively focus on "hard" issues of processes,

[87] Coulson-Thomas (2015) Director's Dilemma: Reconciling Competing Claims. Director Today 6-10.
https://www.academia.edu/14155619/Directors_Dilemmas_Reconciling_Competing_Claims

procedures and systems whereas softer "people" issues can be perceived as less perceptible and harder to influence.

- Action and Reaction. Some boards of HAs are status quo oriented and are content with the organisations' current status and position in the sector. Some may even appear defensive and serve to protect their interests at all costs. Excessively defensive approaches can result in complacency and stifle innovation and change. However, constant readjustment can result in confusion, turmoil and threats being overlooked. HA boards consider monitoring of targets and performance to be very important. Disproportionate use of quantitative measures can lead to target cultures whereas qualitative measure can result in disagreements about what has been achieved. Balanced scorecards can sometimes comprise a wide array of measures that the important detail is overlooked. Preoccupation of targets may create tensions with customer needs.

- Balancing Stakeholder and Organisational Interests. Organisational hybridity can generate intra-role conflict which results in incompatible expectations of different groups who are forced to choose between them[88]. Over-performance in meeting obligations of certain stakeholders can affect the ability to satisfy others. HA BMs are in a unique position to benefit each stakeholder group e.g. awarding contracts to suppliers, deciding on staff remuneration, delivering better products and services to tenants. Agreement on the extent to which different stakeholder expectations should be satisfied is a key judgement call for boards. Not meeting the expectations of certain stakeholders is likely to have negative repercussions e.g. loss of customers, staff resignations or low morale, more intensive regulation etc.

6.3 Bringing Paradox Home - Q-Sort on Housing Association Governance in Northern Ireland

In this exercise we invited key players in the NI HA sector to share their beliefs about Governance using a survey tool developed by Bruce Moore of the University of Birmingham which pays particular attention to the impacts of BM payment and how these relate to beliefs about the roles of boards. With proposed changes to DSD regulations enabling HAs to introduce payment this was an ideal time to consider the relationship between proposed payment and other beliefs about the roles of boards and the purpose of governance.

This survey was developed by researchers in the Housing and Communities Group at the University of Birmingham using a method known as POETQ. Rather than asking a series of tick-box questions POETQ involves sorting a set of statements and production of a grid that represents particular viewpoints. This can then be compared with grids produced by others to identify similarities and differences of perspective. POETQ was used to form a broad picture of views about governance amongst board members, executives and experts with close knowledge of HA Boards in NI.

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[88] Golden-Biddle, K., & Rao, H. (1997). Breaches in the boardroom: organizational identity and conflicts of commitment in a nonprofit organization. Organization Science 8, 593-611.

A simple on-line survey taking 40 minutes to complete enabled participants to sort 57 statements derived from an extensive literature review on governance in the housing sector. Participants were able to agree or disagree with the statements which were then sorted to identify the extent of agreement and disagreements and the reasons behind the views expressed. This provided a deeper and more nuanced picture of viewpoints than did the simpler tick box surveys used earlier in this study. In this way the QSort brings home some of the paradoxes evident in the sector, amplifying the application of Quinn & Rohrbaugh's (1983) Competing Values Framework above.

28 respondents completed the survey between November 2014 and March 2015. Their backgrounds were as shown on Figure 24 below:

Figure 24: Participants in Q-Sort Survey Nov 2014-March 2015
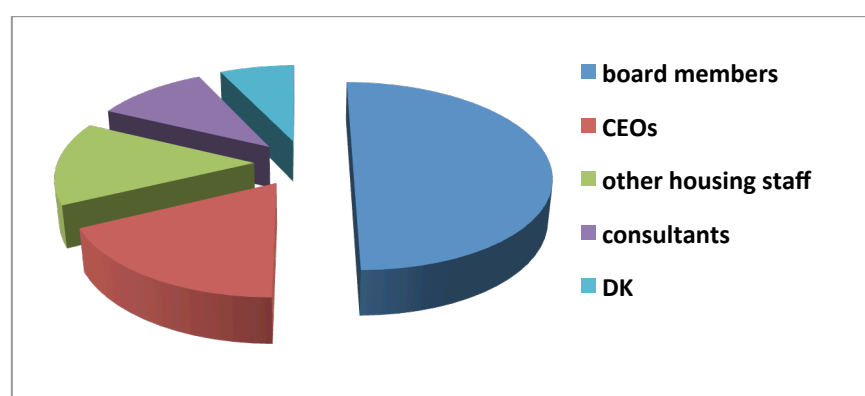
The key findings were that the 28 respondents in NI, half of whom (14) were current board members (the remainder being CEOs (5), housing staff (4), consultants (3) and not disclosed (2) had a variety of views on governance and payment which boiled down to four main clusters.

1. The largest cluster of views was pro professionalism and pay. The other three views were less positive about pay but for different reasons.

2. The second cluster was concerned that pay might affect integrity.

3. The third cluster though that control is more important than payment in improving governance.

4. The fourth cluster was concerned that payment can make boards more passive and easier for the executive to control.

Understandably these views were less positive about payment than similar surveys in England where payment has existed for over ten years. However they do usefully flag up some of the underlying assumptions about governance on which proposals for payment rest. Will payment be associated with increased professionalism? (for example by attracting skilled BMs who might otherwise have gone to other sectors who offer payment). On the other hand could it undermine good governance by challenging motivations of altruism and integrity or simply enable executives to exert more control over non-executives? Finally how important is payment

in relation to other governance drivers such as control by chairs, executives and standing order procedures?

Thus survey respondents varied in their views in these broad ways; but the specific points of difference can be illustrated by showing which specific propositions they agreed or disagreed most with. Table 6 compares the first two clusters (1 professionalism v 2 integrity) we can identify the following propositions as those with most disagreement between the two clusters (in brackets is the cluster most in agreement with each proposition:

Table 6: Comparing Professionalism v Integrity cluster views on individual propositions

- HA boards are self-perpetuating oligarchies (1)
- DSD wants pay so they can control boards (2)
- Paid boards less likely to support mergers (2)
- Once you start paying it will be hard to take it away (2)
- No means to show cause and effect in governance (2)
- No evidence that pay will improve quality (2)
- If you pay people you have a lien on them (2)

While Q Sorts are a good way to identify different clusters of views within a population, they can also identify issues on which there is considerable agreement. Table 7 identifies the areas of greatest agreement across the respondents:

Table 7: Points of Greatest Consensus across NI Governance Q Sort

- Role of board is not to manage the business but to ensure executives do so effectively
- Shareholders are irrelevant for accountability
- Increasing commercial focus risks forgetting primary social purpose of HAs
- Boards should protect public assets held in trust for taxpayer
- The principle of payment is more important than the quantum
- Smaller and more cohesive boards will improve governance
- It is hard to be too prescriptive about boards or how they should function – no one size fits all

Interestingly, the final point of agreement is also one that reinforces the theme of this chapter that governance is subject to competing values and understandings and that therefore no one size fits all.

6.4 Conclusions and Future Research Agenda

Thus, following Quinn & Rohrbaugh we see that Governance requires consistent adaptation to change in the operating environment; from Cornforth that there will be paradoxical positions adopted reflecting differences in combine values, and from our own Q-sort that these two factors may combine to produce varied responses to governance reforms such as BM payment.

The 15 years since the last study of HA governance in NI has seen considerable sector growth, and an increasing emphasis on commercial principles. Board business is becoming ever more complex and demanding of board members. New financial models, diversified business streams,

and a restructuring of significant parts of the sector to form just 23 HAs by 2015, the largest now with over 10,000 homes.

The immediate period of this study has coincided with a welcome move to less intrusive and a more proportionate approach to regulation and a sharpening of competitive market signals. This has required a shift from conformance to performance as outlined in sections 6.1 and 6.2. We believe that the collaborative approach adopted in this two year study has made a positive contribution to this advance. It has done so first, by filling gaps in existing evidence through three comprehensive evidence-based Discussion Papers on who governs, how we govern and what we govern. Second, by providing a space in which the sector research has framed positive change proposals to adapt to the recent changes in context. Third, by developing a coherent and well-supported set of recommendations with internal and external support that are being adopted across the sector.

This study has provided a baseline for future work on governance in the sector, by updating and broadening the evidence base provided by Mackay et al in 2000[89]. We now have a profile of the board membership of Northern Ireland's 23 housing associations, a range of perspectives on the role and purpose of corporate governance in the sector from surveys of chief executives and board members and specialist analysis of competing perspectives on board payment prior to a decision on its introduction. We also have case studies of governance in action in five contrasting organisations and a series of recommendations developed collaboratively with leading figures in the sector through three roundtables and a conference. This is a solid baseline against which future developments in sector governance can be evaluated.

Here we identify some of the gaps in existing knowledge that remain after the study and hope that the sector and its supporters will enable some of these gaps to be filled in the coming years. Good corporate governance will be of vital importance to the sector as it faces current and future challenges and good evidence is essential to achieving further advances in governance practice. The need to become more reflective of NI society will not go away – but there are tensions between this imperative and that of professionalised and business focused governance. We found marked difference between boards in the extent to which new and under-represented groups were being attracted. Some were succeeding in attracting younger people and people in full time employment who were previously under-represented. Some boards now included more women, although one unusual case had experienced strong regulatory pressure to reduce female dominance of board positions despite the specific origins of the housing association. There is clearly good practice in the sector in effective recruitment and selection that assists in achieving board diversity. There may be scope for further research to promote learning exchange and enable all HAs to meet the standards of the best in this respect in line with the first two recommendations of this report. Such a project might benefit from engagement with other civil society and social enterprise organisations in NI who face similar challenges in

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[89] Mackay, C., Dawson, H., and Williamson, A., (2000). *Training and Development Needs of Board Members of Housing Associations in Northern Ireland.* Belfast: University of Ulster.

achieving skilled and diverse governance and attracting an appropriate mix of board members. This would be consistent with recommendation 15 of our report.

A second outstanding issue is that of tenant involvement in governance. Our surveys show that a majority of board members believe that more tenants should sit on boards. This is consistent with the DSD's desire[90] to increase tenant involvement in decision making-processes about key services. It is also supported by research in England showing that effective tenant involvement is an investment rather than a cost for housing associations[91]. The DSD TP strategy makes reference to a series of proposals that would enhance tenant empowerment including the "right to manage", "right to transfer" and "community cashback" initiatives similar to England and Wales. Further work is now commencing by this research team on tenant engagement in governance for the NIHE[92] in which we will explore the relevance of international models to Northern Ireland and adopt a similar collaborative approach to this study in determining what models best fit the Northern Ireland context. This new research will assist HAs along with NIHE to meet the third recommendation of this report.

We have provided a baseline analysis of the role of BM remuneration in the light of different assumptions about the role and purpose of corporate governance. This has supported our fourth recommendation that this should not be imposed on organisations but should be an option boards may choose to adopt where it fits their mission and culture and where they can be assured that risks to integrity and independence of board members will not be threatened. If a decision is made to allow payment, some further research is recommended a year or two after its implementation to assess its impacts in relation to the different existing assumptions.

We have made a series of more technical and procedural recommendations about appraisals, teamwork, risk, personal liability, roles and responsibilities and interactions between non-executive directors and their organisations. The impact of these recommendations may best be tested by follow up case studies and a sector review conference in 2-3 years time.

As the open systems and human relations models within Quinn & Rohrbaugh's competing values framework suggest, good governance requires a strong external focus to enable flexibility and adaptation to the changing context. Our recommendations emphasise that it will be important as the SHRP is implemented for boards to become more externally facing and develop connections with other Boards in the sector for sharing good governance experiences and practices. We have also therefore highlighted some specific recommendations emerging from our workshops in relation to multi-annual development programmes, asset management strategies and appointments to boards.

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[90] Department for Social Development, (2015). *A Tenant Participation Strategy for Northern Ireland: 2015:2020. A Draft for Consultation.* Belfast: DSD.

[91] Bliss, N Bliss, Lambert, Halfacre, Bell and Mullins (2015). An Investment not a Cost. The Business Benefits of Tenant Involvement.

[92] Tenant Engagement in Governance: A Review of Models and Practices. Project commissioned by NIHE 2015-16.

A final challenge is the need to maintain the values of the sector and its focus on meeting housing need at the local level may become more difficult as public funding support reduces – the hybrid identity of HA can be a strength in this context if it holds firm to its community and civil society identity whilst needing to act more commercially. More than ever governance will require a civic minded core of active citizens combining commercial acumen with a commitment to the people who use the services and pay the wages.

The research gap here is the need for periodic updates on the state of the sector in relation to values and social purpose. In this respect we commend the NIFHA/PWC collaboration on Global Accounts[93] and the forthcoming Community Investment Audit[94], which if repeated on a periodic basis will provide a good barometer of change in the sector. A further research tool that has been successfully applied in period reviews of English housing associations is a Delphi panel of chief executives[95] assessing their perceptions of key changes in the business environment and in their organisation's responses with a direct link to social purposes. This tool was last applied in NI in 2003 in a detailed study of housing associations in Ireland, North and South. An updated panel study would be a good way of testing changes in values and purpose and could be updated on a periodic basis alongside the global accounts and community investment audits to provide a balanced scorecard assessment of sector change.

6.5 Recommendations

The following recommendations were agreed at the conclusion of the three roundtables held as part of the research process following full discussion of the evidence provided by the research team in the discussion papers.

1. All housing association boards should set **aspirational targets for enhancing board diversity**. Boards should collaborate with agencies that work with groups under-represented in sector governance to help achieve this.

2. All **board recruitment should be open, transparent and externally advertised**. Transparent and external recruitment processes can help address the issue of diversity and lead to a wider pool of candidates applying for board positions.

3. The 'Tenant Voice' should be heard at both strategic and operational levels within housing associations. Boards should **develop effective organisational or partnership based tenant**

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[93] NIFHA and PWC (2015) 2015 Sector Global Accounts.
[94] Undertaken by Ruth Flood for NIFHA in 2015.
[95] Mullins and Jones (2015) From 'contractors to the state' to 'protectors of public value'? Relations between non-profit housing hybrids and the state in England. Voluntary Sector Review
www.ingentaconnect.com/content/tpp/vsr/pre-prints;content-pp_VSR-D-15-00020R2

involvement infrastructure to provide accountability. All housing associations should also make provision for at least one tenant directorship on their board. This will ensure enhanced board legitimacy and accountability but may require time, investment and training.

4. **All housing associations should have the option to remunerate board members.** This will help to create a level playing field for housing associations in what is a competitive market for non-executive talent and to reflect the complexity of the role.

5. **All housing associations should introduce at least annual one-to-one board member appraisals and biannual independent Board reviews** to assist with performance reviews and board reappointment, robust succession planning, identification of training requirements and skills gaps on boards.

6. **There is a need to balance the emphasis on individual board member expertise with an equivalent emphasis on teamwork and collaboration.** Good boards are successful because they work together effectively. The ability to listen and to collaborate is as important as the ability to express opinions and demonstrate expertise.

7. HA boards should continually **develop understanding of risk oversight, determine risk appetite and align risk management with organisational strategy**.

8. **Appropriate support mechanisms such as board mentorship programmes should be introduced by to provide guidance and support for new board members** during their first year of board service. **Peer mentoring should also be considered** to reduce the learning curve and enable more productive engagement early in board tenure.

9. Housing associations should **establish clear protocols that enable informal interactions between board members and staff to improve 'domain knowledge' of the business** which will help to inform strategic thinking.

10. Board and staff **roles and responsibilities should be regularly clarified and refreshed,** particularly in hierarchical structures where confusion and uncertainty might arise.

11. **HAs should provide regular forward-looking training programmes** such as financial management and strategic financial planning in order to address to variances in skills levels.

12. **Asset Management Strategies should be used** by Boards to explore options and **to take decisions about underperforming stock**.

13. To enable a more strategic approach to social and affordable housing development, **the Department for Social Development should move towards a multi-annual development programme**.

14. **BMs should familiarise themselves with the top ten areas where they have personal liability**.

15. **Boards should develop strategies to help them become more externally facing** – which will be important as the SHRP is implemented – **and develop connections with other Boards in the sector for sharing good governance experiences and practices**.

16. As regulation becomes more risk-based and proportionate **the DSD should legislate to have the power to appoint BMs or special managers in the case of failed inspections before having to initiate an Inquiry.**

Appendix 1 Stakeholder Interviews

Arthur Canning, Choice Housing Associations (formerly Trinity Housing Association)

Arthur O'Brien and Bernard O'Hara, KPMG

Billy Graham, Alpha Housing Association

Brian O'Gorman and Simon Brooke, Cluid Housing Association

Cameron Watt, Northern Ireland Federation of Housing Associations

Caren Gallagher, Irish Council for Social Housing

Chris Alexander, Triangle Housing Association

Chris Martin, Danske Bank

Chris White, (formerly Board Match)

Clare McCarty, Clanmil Housing Association

Colm McDaid and Laura O'Dowd, Supporting Communities Northern Ireland

Denis Bleakley, Grove Housing Association

Dermot Leonard, (formerly Filor Housing Association)

Donal Conway, Flax Housing Association

Donal McManus, Irish Council for Social Housing

Donald Heaney, Department for Social Development

Frances McCandless, Charity Commission Northern Ireland

Gary Dugan, Newington Housing Association

Geraldine Gilpin, Abbeyfield and Wesley

Geraldine Reynolds, Department for Social Development

Greg Campbell, Campbell Tickell

Ian Elliott, Choice Housing Association

Institute of Directors

Jacqueline Locke, Connswater Homes

James Tickell, Campbell Tickell

Jenny Muir, Queens University Belfast

Jim Black, St Matthews Housing Association

Jim Wilkinson, Department for Social Development

Joanna McArdle, Barclays Bank

Joe Frey, Northern Ireland Housing Executive

John Gartland, Choice Housing Association (formerly Ulidia Housing Association)

John McLean, Fold Housing Association

John McPeake, (formerly Northern Ireland Housing Executive)

Joy Allen, Consultant

Julie Fadden, South Liverpool Homes

LORD Richard Best

Mags Lightbody (formerly Northern Ireland Housing Executive)

Mark Glinwood, Consultant

Martin Armstrong, Wheatley Homes

Michael McDonnell, Helm Housing Association

Northern Ireland Audit Office

Peter Fieldsend, Liverpool Mutual Homes

Seamus McAleavey, Northern Ireland Council for Voluntary Action

Sean O'Connor, Tuath Housing Association

Steve Stride, Poplar Harca Housing Association

Tess Merrett, Hackney Homes

Vincent Keenan, North and East Housing Association

Will Chambre, Chambre Public Affairs

Appendix 2 DSD Inspection Reports

The Following Inspection Reports were reviewed and used to inform this discussion paper. They can be viewed on the DSD's website: http://www.dsdni.gov.uk/index/hsdiv-housing/registered_housing_associations/housing-rha_inspection_programme/rha_inspection_reports.htm

Round 2 Normal Inspections

Helm Housing Association January 2012
Oaklee Housing Association February 2012
Triangle Housing Association June 2012
Ulidia Housing Association June 2012
Flax Housing Association October 2012
Abbeyfield Housing Association December 2012
Wesley Housing Association March 2013
South Ulster Housing Association April 2013
Ark Housing Association June 2013
NI Co-Ownership Housing Association September 2013
Hearth Housing Association May 2014

Round 2 Follow Up Inspections

Rural Housing Association February 2012
Habinteg Housing Association March 2012
St Matthew's Housing Association April 2012
Open Door Housing Association August 2012
SHAC Housing Association August 2012
Helm Housing Association March 2013
Rural Housing Association March 2013
Covenanter Housing Association May 2013
Grove Housing Association July 2013
Rural Housing Association – Property Management Follow Up June 2014

Round 3 Normal Inspections

Fold Housing Association October 2013
St Matthews Housing Association February 2014
Clanmil Housing Association May 2014
Apex Housing Association May 2014
Habinteg Housing Association August 2014

Round 3 – Follow Up Inspection

Helm Revised Round 3 Follow Up Inspection October 2013
South Ulster Housing Association February 2014
Harmony Homes Housing Association October 2014

Peter Shanks
Lecturer in Housing Studies
School of the Built Environment
Ulster University
Jordanstown campus
Newtownabbey
BT37 0QB

Tel: 028 90 368 225

Email: p.shanks1@ulster.ac.uk

David Mullins
Professor of Housing Policy
Housing and Communities Research Group
School of Social Policy
University of Birmingham
Edgbaston
Birmingham B15 2TT

Tel: 0044 (0)121 414 3348

Email: d.w.mullins@bham.ac.uk