Stakeholder Discussion Paper 1: Who Governs?

1.0 Executive Summary and Discussion Points

This Discussion Paper addresses the question ‘who governs’ by exploring the composition of housing association (HA) boards, their recruitment, tenure, remuneration and training and discusses the key issues arising for sector governance. It reviews findings from two separate surveys of HA board members and chief executives (CE) and from 20 stakeholder interviews. The board member survey generated 100 responses from 20 housing associations. The CE survey received 23 responses giving a response rate of 88%. Where appropriate we have compared responses between these two surveys and with earlier evidence from 2000.

The main survey findings presented in section 2 of this paper provide an up to date factual picture of the current composition of HA boards in Northern Ireland, representativeness and skills profile. It shows that sector governance is not currently reflective of Northern Ireland society and that there are some gaps in the skills mix. Board members bring a wide range of skills and experience, including other board and voluntary roles. Levels of qualification have increased since 2000. A quarter of board members 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 board members for tenant representation has increased since 2000. Methods of recruitment, motivations for being on boards and methods of appraisal were also explored. Many CEs consider recruitment to be difficult, and informal methods of recruitment predominate. Members are motivated by a range of personal goals but are less likely to favour payment than do CEs.

This factual analysis indicates a number of strategic issues for sector governance which are picked up in section 3 of the paper, informed by stakeholder interviews and by a review of corporate governance literature. We discuss questions of diversity and representation, recruitment and motivation, tenant involvement, payment, succession, board size, skills mix, appraisal and board development. Based on this evidence and analysis we have identified a number of discussion points that we feel will be worthwhile to consider at our first stakeholder event on November 6th. For easy reference we have included these points next; readers are referred to sections 2 and 3 of the paper for detailed evidence and analysis.

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1. According to the DSD’s Annual Regulatory Return figures as at 31 March 2014, there were 315 board members serving on housing association boards
2. At various points in this report we compare CE responses with those of board members. This is not a straightforward comparison since variable numbers of board members responded from each HA (see App 1)
1.1 Discussion Points

**Diversity and Recruitment**

- How can the diversity of HA boards be enhanced to include currently under-represented groups (such as women, younger people, and those in full-time employment)?

- What skills, experiences and expertise is required but missing from boards? Which skills are becoming more important in light of the changing political, economic and social landscape?

- Should recruitment processes be more open and transparent? How can board accountability and visibility to stakeholders and to wider society be enhanced?

- Should HAs undertake diversity audits and train board members on diversity issues?

- What role should tenants play in the governance of HAs? How can board legitimacy and accountability to tenants be enhanced?

**Board Member Payment and Tenure**

- Should board members be paid? Is there a stronger case for paying Chairs given the increasing commitment needed for this crucial role?

- What are the pros and cons of the nine year rule for board members and how can HAs best respond? What are the key principles for effective succession planning?

- What is the optimal length of tenure for Chairs and how should they be appointed and prepared for the role - e.g. pathways via committee chair and Board Vice-Chair?

- Should the move towards smaller boards continue? How can more focused and business-like boards continue to respond to their stakeholders?

**Training, Learning & Development**

- How could board training be more relevant and better attended? How might learning be better shared across the sector and with other sectors?

- What should the balance be between ‘hard skills’ such as finance and development and ‘soft skills’ such as teamwork and representing the organisation?

**Appraisal**

- Who should lead the appraisal process? Should 180 and 360 degree appraisals be used, and could boards be more involved in appraising senior executives?

- Does informal recruitment through networks make appraisals and peer review harder? Would formal person specifications and remuneration change the nature of appraisal?

- Could a more robust appraisal process lead to more effective succession planning and progression route to senior board roles?
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2.0 Survey Results

2.1 Who responded?
- Ordinary Board members accounted for almost three-fifths (59%) of respondents; Vice Chairs (14%); Chairs (11%) and the remainder being sub-committee chairs (6%), secretaries (6%), and treasurers (4%)

2.2 Age Profile of Board Members
- Almost three-quarters (72%) of the board members responding were full members of the Board compared to (23%) who were co-opted
- Forty-five per cent (45%) of board members 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.

According to the 2011 Census Northern Ireland’s average (median) age is thirty-seven. Less than one-tenth (8%) of board members fall within the age-range 35-44. Fifty-seven per cent (57%) of board members were aged 45-64 and one third (32%) were aged 65+. Meanwhile only (3%) were younger than 35.
- In 2000 Mackay et al reported that (3%) of board members 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 almost one-fifth (26%) aged 65+

2.3 Gender Profile of Board Members

- More than two-thirds (69%) of board members 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%) of board members were male and (26%) female.

- Comparing NI to GB: An Inside Housing survey\(^4\) (2014) of 40 of the UK’s largest housing associations 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\(^5\) (2005) found that there were significantly more women (47%) serving on Scottish HA committees than in other parts of the UK. A study\(^6\) published last year by the Welsh Government revealed that women occupy one-third of overall appointed board members.

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\(^6\) Radojka Miljevic, James Tickell, Sarah Brown, Rosie Chapman and David Hingley 2013 Sector Study on Governance of Housing Associations Registered in Wales. Welsh Government
- As above, the vast majority of female board members are aged 35-74. Analysis of Census 2011 figures for this age range shows that females account for (51%) of the population.
- Eighty-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 3: Gender Profile of Board Members**

![Gender Profile of Board Members](image)

**2.4 Race / Ethnic Profile of Board Members**
- According to the CE survey, there was only one board member in Northern Ireland from a BME background.
- Ninety five per cent (95%) of board members considered themselves as White.
- Census 2011 figures revealed that 1.8 per cent of the Northern Ireland population belonged to minority ethnic groups with the main groups being Chinese, Indian, Mixed, Other Asian and Irish Travellers.

**2.5 Board Members with Disabilities**

**Figure 4: Board Members with Disabilities as defined by Disability Discrimination Act**

![Board Members with Disabilities](image)

- Do you regard yourself as a disabled person as defined by The Disability Discrimination Act?
- Seven per cent (7%) of board members stated having a longstanding illness or disability that limits 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 in Northern Ireland had a long-term health problem or disability which limited their day-to-day activities.

2.6 Religious Background of Board Members
- Approximately half (51%) of board members considered themselves to belong to the 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 board members 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.

2.7 Average Board Size and Board Vacancies

<table>
<thead>
<tr>
<th>How many board members are there in total on the board?</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Answer Options</td>
<td>Response Average</td>
<td>Response Total</td>
</tr>
<tr>
<td>Board Members</td>
<td>10.83</td>
<td>249</td>
</tr>
</tbody>
</table>

- 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.

2.8 Tenant Representation on Boards
- CEs were asked ‘as a percentage of the board, how much is represented by tenant board members’. According to CEs, almost half (52%) of boards had no tenant board members. 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 associations had between 26-33% of board places held by tenants. No board had over one third of places held by tenant board members. This compares to (71%) of boards having no tenant board members in 2000.
- Seventy per cent (70%) of boards had some form of direct relationship with tenant engagement structures.
The majority (68%) of board members believed that tenants should sit on the board. This was a significant increase from the position in 2000, when (36%) of board members believed there should be tenants on the boards, (45%) disagreed and (18%) were unsure.

**Figure 5: Board Members’ views on having Tenant Board Members**

2.9 Skills and Expertise of Board Members

In this section we compare views of CE and board member respondents on skills and gaps.

**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 (100%) 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
- Ninety-five per cent (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 (52%); computing / I.T. (50%); surveying (47%); architecture (45%); legal (41%); experience of being a tenant (30%); social services (27%) and personnel / human resources (26%)

**Board Member Response**
- Board members identified their board’s main skills as: financial management (100%); strategic management (100%); accountancy (97%); risk management (97%); housing management (96%); building maintenance/asset management (95%); development, social policy and negotiation skills (all 93%) and experience on other boards (92%)
- The main skills they believed their boards lacked included: experience of being a tenant (53%); marketing / PR (49%); architecture (46%); computing and I.T. (40%); surveying (37%); legal (37%) and regeneration (33%).
Comparison
While the two lists are similar it appears that CEs place a greater importance on IT and surveying skills gaps while board members are more concerned by gaps on experience of being a tenant

2.10 Other Directorships and Volunteering Roles of Board Members

This section highlights the extent of involvement of NI HA board members in other directorships and voluntary activities. This chimes with wider UK evidence of a ‘civic core’ who tend to predominate in voluntary participation roles. The section goes on to show the types of employment experience that board members bring to their roles; interestingly while few had worked for a housing association, a significant minority (44%) had worked in housing.

Figure 6: Other Directorships of Housing Association Board Members

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Directorships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Housing Association</td>
<td>0.20</td>
</tr>
<tr>
<td>Other voluntary and</td>
<td>1.80</td>
</tr>
<tr>
<td>community sector boards</td>
<td></td>
</tr>
<tr>
<td>Public sector boards</td>
<td>1.40</td>
</tr>
<tr>
<td>Private sector boards</td>
<td>1.60</td>
</tr>
<tr>
<td>QUANGOs / Commissions</td>
<td>1.20</td>
</tr>
<tr>
<td>Other</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Directorships and voluntary experience
- One third (33%) of board members are directors (executive or non-executive) of a company other than a housing association
- Over half (56%) of board members 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
- Board members described their present or most recent employing organisation as: other public sector (19%); social housing (17%); central government (14%); private - service

Employment experience and qualifications

- Eighty-eight per cent (88%) stated they had never worked for a housing association; whereas forty-four per cent (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%) have undergraduate/first degrees. This compares to (42%) of board members having undergraduate/first degrees in 2000. One third (33%) have post-graduate/higher degree qualifications compared to (15%) in 2000.
- Only (2%) of board members had no formal qualifications compared to (12%) in 2000
- Almost half (53%) have a professional qualification of some description (unknown in 2000)
- Forty-six per cent (46%) of board members have GCSEs or equivalent and approximately one-third (35%) have HNC / A-Level / Diploma equivalent.
- More than one fifth (22%) of board members are members of the Chartered Institute of Housing.
- Board members 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.

2.11 Methods of Recruitment of New Board Members

- All twenty three CEs stated that they had or had attempted to appoint board members in the last two years. Almost half (49%) had experienced difficulties in recruiting new board members in the last two years.

Figure 7: Board members on how they first came on to the Board

- Actively sought out a Housing Association board role
- Approached by Housing Association board member
- Approached by member of Housing Association staff
- Invited to Information Day organised by the Housing Association
- NIFHA organised event e.g. speed dating; information day
- Nominated by membership of the Housing Association
- Replied to advertisement by Housing Association
- Almost half (49%) of board members joined the board after being approached by an existing member. One fifth (21%) actively sought a board member role. Twelve per cent (12%) were approached by a housing association staff member and the same figure (12%) replied to an advertisement by the housing association.

- Others were recruited through NIFHA organised events (3%), housing association information days and one member came through the DSD sponsored Business on Board initiative.

- The top three methods used to identify potential board members by CEs were: ‘through NIFHA register / events’ (83%); ‘all board members are asked to find / approach suitable person(s)’ (57%) and ‘local advertisements’ (52%). The three least common approaches were ‘information days/evenings organised by the association’ (13%); ‘direct approach to interested group for nomination’ (17%) and ‘chief executive is asked to find or approach suitable person(s)’ (17%).

- In terms of the effectiveness of methods used by CEs in recruiting new board members, results show that board members being ‘asked to find / approach suitable person(s)’ and ‘through NIFHA register / events’ generate the majority of new members. This raises other key questions regarding the representativeness of board members (see discussion section). Despite the CE being ‘asked to find or approach suitable person(s) being (17%), this accounted for more than one-tenth (12%) of new board members. This compares to the same figure (12%) of new members being recruited through open advertisement despite being one of the top three approaches used by CEs (52%).

- The three most common methods of appointment according to CEs were: by co-option (61%); election by voting at the AGM (57%); appointment by decision of the full board (with interview) (44%) followed an interview by mix of executive team and board (39%).

- Almost one tenth of CEs (9%) said they did not use role descriptions or person specifications to define board member roles.

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.

**2.12 Motivation for Board Membership**

- Three-fifths (61%) of members 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 board members 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’

Table 2: Board Members’ motivation for joining the Board

<table>
<thead>
<tr>
<th>Why did you decide to join the board? (Tick all that apply)</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Because I was asked / invited to join</td>
<td>46.0%</td>
<td>46</td>
</tr>
<tr>
<td>Because I thought it would be something I would be good at and this would be satisfying to me</td>
<td>50.0%</td>
<td>50</td>
</tr>
<tr>
<td>Development / building interest</td>
<td>30.0%</td>
<td>30</td>
</tr>
<tr>
<td>Founding member</td>
<td>6.0%</td>
<td>6</td>
</tr>
<tr>
<td>Housing interest</td>
<td>45.0%</td>
<td>45</td>
</tr>
<tr>
<td>Interest in Housing Association’s aims</td>
<td>48.0%</td>
<td>48</td>
</tr>
<tr>
<td>It would be an opportunity to exercise skills and experience gained elsewhere</td>
<td>61.0%</td>
<td>61</td>
</tr>
<tr>
<td>Rural interest</td>
<td>5.0%</td>
<td>5</td>
</tr>
<tr>
<td>Special client group interest</td>
<td>12.0%</td>
<td>12</td>
</tr>
<tr>
<td>The Housing Association has a good reputation</td>
<td>34.0%</td>
<td>34</td>
</tr>
<tr>
<td>To contribute to society</td>
<td>60.0%</td>
<td>60</td>
</tr>
<tr>
<td>To gain skills and experience</td>
<td>26.0%</td>
<td>26</td>
</tr>
<tr>
<td>To improve services for tenants and your community</td>
<td>32.0%</td>
<td>32</td>
</tr>
<tr>
<td>To make use of your spare time</td>
<td>10.0%</td>
<td>10</td>
</tr>
<tr>
<td>To offer advice / expertise</td>
<td>44.0%</td>
<td>44</td>
</tr>
<tr>
<td>To represent the interests of local people</td>
<td>9.0%</td>
<td>9</td>
</tr>
<tr>
<td>To represent the interests of the local area</td>
<td>7.0%</td>
<td>7</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

answered question 100

A rather different question format was used in 2000. The reasons indicated for board members 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 housing association (3%); interest in housing association’s aims (3%); invited due to experience (3%); founding member (2%).
2.13 Tenure and Maximum Terms for Board Positions

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

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.

Table 3: Chief Executives’ reporting on length of service for Chairs

<table>
<thead>
<tr>
<th>Answer Options</th>
<th>Response Percent</th>
<th>Response Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 years</td>
<td>65.2%</td>
<td>15</td>
</tr>
<tr>
<td>3-6 years</td>
<td>26.1%</td>
<td>6</td>
</tr>
<tr>
<td>7-9 years</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>10-12 years</td>
<td>8.7%</td>
<td>2</td>
</tr>
<tr>
<td>12-15 years</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>15+ years</td>
<td>0.0%</td>
<td>0</td>
</tr>
</tbody>
</table>

answered question 23

- 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 eighteen per cent (18%) after 6 years.

- Sixty-five per cent (65%) of CEs disagreed that board members should retire after 9 years citing loss of commitment, expertise and experience as well as a need to balance experience with new members.

Figure 9: Chief Executives’ thoughts on the nine year rule

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

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.8%</td>
<td>65.2%</td>
</tr>
</tbody>
</table>
**Ordinary Board Members**

- CEs indicated that board rotations for ordinary members 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 board members (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 board members had been serving for nine years or less. This means almost one-quarter (24%) of board members exceeded the DSD’s nine year term.

![Figure 10: Board Member Length of Service](image)

2.14 **Payment**

- Unlike some HAs in other parts of UK, NI board members work on voluntary basis and receive no payment for their services as board members.
- Almost three-quarters (74%) of CEs are in favour of board member remuneration
- In contrast more than half (54%) of board members do not believe board positions should be remunerated compared to (46%) in favour.

- This is one of the bigger areas of disagreement between the CE and board member surveys. However, the has been a change in board member perceptions on this issue since 2000 when (90%) of board members believed that housing associations board positions should remain voluntary and not be remunerated


2.15 Induction for new Board Members

- On joining the board, board members availed of briefing/induction packs (86%); advice and expertise from staff (82%); briefings from other board members (75%) and from staff (75%)
- Board members had fewer opportunities to avail of: visits to housing association properties (68%); training from outside experts (66%); in-house experts (65%); and visits to other housing associations (46%)
- Three-quarters (74%) of board members received induction training – averaging two days - when joining the board
- All CEs (100%) stated that an induction process (formal and/or informal) is provided for new board members
- One quarter (26%) of board members 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 board members (80%) to aid board performance. The least common aid to improving performance was mentoring (17%)

![Figure 11: Availability of Board Member Induction Training when first joined](image)

2.16 Training

- Almost all (99%) of board members considered training important
- The six main areas identified by board members as required for training include: strategy (management and change of the HA) (75%); governance (72%); risk (70%); finance (67%); changes in policy/political environment (65%); and asset management (51%)

15
- Other areas of training identified by board members included care and support; procurement; DSD regulation; communication and reputation and health and safety.
- Less emphasis was placed by board members on equal opportunities (22%), management (22%), HR (31%), teamwork (40%) or business development (40%).
- According to CEs, the most common training provided to board members include: induction training (86%); governance (82%); finance (64%); strategy (management and change of the association) (59%); and risk (55%).
- The least common training courses included: human resources (23%); board teamwork (27%) management and asset management (32%)
- The biggest gaps in terms of training presently required by board members and training routinely offered / provided by the HA were: changes in the policy / political environment; asset management; risk; strategy (management and change of the association) 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 (45%); housing matters in general (43%); development (40%); finance (39%); induction training (33%); board teamwork (31%); governance (31%); management (30%); how to apply skills (26%)

- 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.

- Board members spend an average of four days a year training (including attending conferences)

- According to CEs, board members are expected to undertake on average two days training per annum as a group

- In the past two years housing associations 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 board members do not participate in board training

### Figure 13: Training Offered/Provided to Board Members

What training is routinely offered/provided by the Housing Association for board members? (Tick all that apply)

- Asset management
- Board team work
- Business development and change
- Changes in policy/political
- Development
- Equal opportunities and diversity
- Finance
- Governance
- Housing practice
- Human resources (employment, reward)
- Induction training
- Management
- None
- Risk
- Strategy (management)
- None
- Strategy

### 2.17 Appraisal

- Almost one-quarter (22%) of CEs reported that the performance of individual board members is not appraised
- For those that do appraise this was most commonly done by their chair (88%); or by another board member (12%)
- CEs reported that almost one-fifth (18%) of board reviews (as opposed to individual reviews) are undertaken by an independent third party
Figure 14: Frequency of Board Reviews

- 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
3.0 Who Governs? Implications for Governance

In this section the authors reflect on the survey findings and draw on in-depth interviews and review corporate governance literature to discuss a number of key implications for HA sector governance in NI. The approach is intentionally open-ended to provide roundtable participants with background evidence and analysis to inform discussion before we draw conclusions on possible ways forward for the sector. Each section of the discussion ends with one or more key discussion points (listed together in section 1.1 of the report).

3.1 Diversity and under-representation

"While our workforce is diverse, this is not reflected in our leadership which remains too white, too old and too male. Just look at me."

(CIH President Steve Stride, Housing 2014)

The lack of diversity on boards has received a lot of recent attention. The Chartered Institute of Housing’s Presidential Commission on Leadership and Diversity has just completed a call for evidence to examine ways to improve the diversity of the industry’s leadership. The Commissioner for Public Appointments in Northern Ireland also produced a report at the beginning of the year 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 the boards of housing associations.

The surveys clearly establish that sector governance is not currently reflective of Northern Ireland society, particularly in terms of people in employment, age, gender and disability. Could it therefore be possible to broaden housing association board composition without compromising the current levels of skills and expertise? Research shows that diversity (of all types) can lead to improved decision making and is positively associated with organisational performance. As a lack of diversity can restrict debate and limit understanding, this argument is not simply about equality. Improved diversity can also enhance the collective wisdom of organisations, reduce groupthink, and improve organisational credibility.

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 organisations are willing to be flexible

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8 This call has come early for this research. However, with support from participants, it might be valuable to submit findings from this project to the CIH Commission at a later date, once actions have been agreed.

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)\(^\text{10}\). Current board members 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 housing associations and therefore the debate should now firmly focus on methods to increase diversity and representativeness of boards.

- Should HAs undertake diversity audits and train board members on diversity issues?

### 3.2 Recruitment Methods and Motivations

A significant process which can weaken diversity is the selection process. The importance attached to transparent appointment procedures is rooted in a concern about the lack of diversity on boards\(^\text{11}\). The surveys show that housing associations in NI rely heavily on the social networks of existing board members and staff (60%) when recruiting new members. Similar patterns elsewhere in the UK has led to some commentators accusing housing associations recruiting ‘safe choices’ and boards being ‘self-perpetuating oligarchies’\(^\text{12}\).

There have been concerns expressed in the literature and during the stakeholder interviews that informal recruitment methods might work against under-represented groups as male board members are more likely to approach other men from their own professional / social networks. As mentioned above, almost half of CEs have found difficulties recruiting new board members in the past 24 months. The methods used during the recruitment process are critical to attracting new members and also for enhancing diversity. How then can the recruitment process be developed to better attract more applications, particularly from under-represented groups? Does the networking approach to board recruitment preserve the status quo and does it need to become more open and transparent? Can board diversity be used as a means of legitimizing governance and tapping in to current experiences of work and society and thereby improve board effectiveness?

- How can the diversity of HA boards be enhanced to include currently under-represented groups (such as women, younger people, and those in full-time employment)?
- Should recruitment processes be more open and transparent? How can board accountability and visibility to stakeholders and to wider society be enhanced?

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3.3 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\(^1\). 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)\(^2\) identified a typology of three approaches to tenant participation 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, tenant participation 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 places emphasis on expertise and experience and the democratic role of the board which places emphasis on stakeholder/constituency views.

A study by the Joseph Rowntree Foundation (2008)\(^3\) highlighted the ambiguity about the roles of citizens and service users in governance. The study recognised the distinction between having citizens/service users involved as ‘individual experts’ or as ‘community representatives’ and it identified two design principles which may have implications for the design of housing association 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. And secondly, local representation accentuates a participatory approach of governance ensuring a more democratic approach to decision making and an enhanced legitimacy to decision making. We plan to return to this issue in future discussion papers and events.

In relation to whether or not tenants should sit on boards (as opposed to their actual role), our NI HA surveys showed that the majority of board members believed that tenants should sit on boards. Despite this, more than half of associations do not currently have tenants on their boards. Board members left fifty-four additional comments to the question ‘Do you believe tenants should sit on the board?’ (The same question was not asked of CEs). Board member comments that favoured tenant directorships cited the potential for enhanced


\(^{15}\text{Jane Foot (2009) Citizen involvement in local governance. Joseph Rowntree Foundation}\)
board legitimacy and accountability, greater insight and feedback into tenant services, and for assessing organisational performance. Those that didn’t believe in having tenant board members suggested the potential for conflicts of interest, a tendency by tenant members to focus on operational issues, bringing personal interests to the board table, having difficulties in attracting tenants to the role and for organisations that specialise in housing tenants with learning difficulties, concerns around confidentiality of sensitive information and that other forums may be more appropriate for engaging the views of tenants.

Stakeholder interviews ranged from those who thought it was absolutely essential to have tenants sitting at the board table and having a formal role in informing the work of the associations, to those that felt tenants were better placed sitting on more operationally focused sub-boards/committees.

There is no specific regulatory requirement for tenants to be directly represented on boards although the DSD Governance Guide states that involvement of residents, communities and neighbourhoods is a principal focus of accountability. However, the DSD restricts the proportion of representatives to 20% of the overall board. Another consideration will be the DSD’s Tenant Participation Strategy and any specific requirements made for tenant involvement in housing association governance; hopefully this research and these discussions can help inform that process.

- What role should tenants play in the governance of HAs? How can board legitimacy and accountability to tenants be enhanced?

### 3.4 Payment of Board Members

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 proposals that this should change. This question is also timely given the Minister’s recent announcement at the NIFHA conference on the possibility of board member remuneration. Almost three-quarters of CEs favour remuneration compared to less than half of current board members. This difference may be explained, in part, by the fact that CEs are finding it increasingly difficult to attract new boards members and that the business of housing associations is becoming more complex and requires new skill-sets whilst at the same time a significant proportion of members joined boards wanting to give back to society (60%) and having an interest in the housing association’s aims (48%).

As housing association business becomes more complex, oversight and commitment required by board members could become more technically demanding and more time consuming. The argument has been made that in order to attract and retain high calibre board members, willing to give the time this requires, remuneration needs to be introduced – particularly as organisations become more corporate and seek to emulate private sector models and see themselves as requiring private sector expertise. The increased exposure to
risk and private finance and responsibility for responding to the recent spate of regulatory interventions has placed particular demands on the Chairs of HAs in NI and arguments around payment are particularly strong for this key group.

In the NI surveys, over seventy comments were received from board members on the subject of remuneration and fifteen comments from CEs. Arguments made in favour of remuneration by both 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 a ‘contractual’ like relationship with clarity of 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 ongoing learning and development.

Arguments made in the survey against remuneration include 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 housing association business over other commitments. Some also suggested payment of travel expenses and subsistence was sufficient. Remuneration also raised queries about welfare benefit payments for some tenant board members.

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 board members helps attract stronger members. In the housing sector, the National Housing Federation has published two reports on the experience of payment over ten years in England and a current PhD study at Birmingham University is exploring the links between HA board member pay and conceptions of governance. We plan to return to this issue in a future discussion paper and event.

- Should board members be paid? Is there a stronger case for paying Chairs given the increasing commitment needed for this crucial role?

3.5 Maximum Terms and Succession Planning 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).

The board member survey showed that almost one quarter of board members were beyond this requirement, although it has been reported that the DSD has shown flexibility to ensure
a phased approach. It is unclear, however, the extent of which those members serving less than nine years (75%) have 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 (65%) 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 members. Only a small proportion of organisations use mentoring for new board members.

Some stakeholders believed the nine year rule to be necessary to renew the board and to avoid the board being seen as club and subject to ‘group think’; some considered it as necessary to retain a balance between experienced and new members; and others hadn’t thought about renewal / succession planning. For some, as evidenced by opposition to the nine year term, there is reluctance to let go of long-standing members for fear of losing skills and organisational memory – particularly as it becomes more difficult to attract new members. Some boards within the sector are well established and others are relatively new, resulting in different approaches and urgency to succession planning.

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. Also, one quarter of organisations did not have maximum terms for Chairs and (13%) of board positions are not rotated despite DSD guidance for boards to decide and publish policies for the ‘length and number of terms of appointment’. There is also a need to consider board processes and pathways e.g. via committee chairs to Board Vice-Chair.

- What are the pros and cons of the nine year rule for board members and how can HAs best respond? What are the key principles for effective succession planning?

- What is the optimal length of tenure for Chairs and how should they be appointed and prepared for the role - e.g. pathways via committee chair and Board Vice-Chair?

3.6 Board Size

The average board contains 11 members; this is consistent with DSD and NHF guidance on board size; and is thought to have reduced since 2000 (although this was not included in the earlier survey). The Inside Housing survey\textsuperscript{16} 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.

The Walker Review (2009) found that when boards contain more than 12 members, there can be limitations to the ability to maintain effective working relationships and the motivation and attention span needed to 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.

Chief executives (65%) reported having typically between 1-3 vacancies on boards. It remains unclear whether this is due to a desire to have smaller boards, or due to difficulties recruiting the right candidates, or a combination of both.

- Should the move towards smaller boards continue? How can more focused and business-like boards continue to respond to their stakeholders?

3.7 Skills, Training and Development of Boards/Board Members

The two surveys generally corresponded in relation to the skills contained and lacked by boards although there are slight differences in the areas seen as important gaps (see above). The DSD specifies the need for a diverse range of skills, knowledge and experience needed to run the organisation effectively. NI Board members 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 (discussed above); 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.

Effective board members exhibit three unique types of competency17: 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 may militate against assessing softer skills that are needed for effective board membership and contribution.

Board members consider training important averaging four days per annum. Members availed of recent training in strategy, governance, risk, finance, housing policy and asset management citing away days, seminars and training courses as the most acceptable methods of training. Both NIFHA and Leading Governance have also provided bespoke training sessions on aspects of board governance.

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Based on survey responses, training has tended to focus on knowledge and technical skills rather than softer skills such as teamwork and collective decision making. The training gaps identified by analysing the two surveys cover changes in policy/political environment; asset management; risk; strategy; and board teamwork.

CEs report that almost one quarter of board members do not participate in training; why is this so? Is the current 17 hours per month placing too much of a demand on board members? Do some members not feel the need to continuously train and upskill? Are the training sessions held at convenient times (e.g. are pre- or post-board meetings sessions better attended?) Can there be better sharing and learning between housing association boards, improving governance of the sector (e.g. use of e-governance), and with similar social enterprise and voluntary and community sector organisations which face common governance challenges? And finally, would remuneration aid participation in training and development requirements?

- What skills, experiences and expertise is required but missing from boards? Which skills are becoming more important in light of the changing political, economic and social landscape?
- How could board training be more relevant and better attended? How might learning be better shared across the sector and with other sectors?
- What should the balance be between ‘hard skills’ such as finance and development and ‘soft skills’ such as teamwork and representing the organisation?

### 3.8 Board Reviews and Board Member Appraisals

The DSD Governance Guide clearly lays out an expectation around annual appraisals for the board and board members. 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, and 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 board member appraisals. However, it is still not a feature of every organisation and almost a quarter of CEs reported that board member performance is not appraised. Some comments left in the survey comment boxes suggested that there are still some members who believe that appraisals are an unnecessary task for what is a voluntary undertaking.

Individual appraisals are usually conducted by the Chair (88%) although it was reported that some Chairs to do not feel comfortable with or equipped to appraise the contribution made by their peers. Almost one-fifth of board reviews (as opposed to individual reviews) are conducted by independent third parties.
Only limited information was collected on the nature and methods of appraisal used, but the predominance of appraisals conducted by the Chair indicates that this is seen as a ‘top down process’ that may reinforce the emphasis on hard skills noted earlier. Alternative methods of board appraisal can place a greater emphasis on 360 degree group performance and softer skills such as teamworking; and on 180 degree assessments of the Chair and CE performance by ordinary board members.

The survey noted the limited involvement that most board members have in appraising senior staff. There was limited information on methods used to relate progression to Chair and committee chairs to appraisals of performance. A final issue arising from the informal network based methods of recruitment may account for the uneasiness of some boards with the concept of appraisal.

- Who should lead the appraisal process? Should 180 and 360 degree appraisals be used, and could boards be more involved in appraising senior executives?
- Does informal recruitment through networks make appraisals and peer review harder? Would formal person specifications and remuneration change the nature of appraisal?
- Could a more robust appraisal process lead to more effective succession planning and progression route to senior board roles?
Appendix 1 – Board Member Survey Responses per association

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This uneven distribution means that comparisons with the CE survey do not reflect the same mix of organisational experiences with Board member responses weighted towards the experience of HAs A-C in particular.