

## **Draft Guidance on Housing Association Board Member Remuneration**

### **Community Housing Cymru Draft Response**

#### **1. About Us**

**The Community Housing Cymru Group (CHC Group)** is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 155,000 homes and related housing services across Wales. In 2012/13, our members directly employed 8,000 people and spent over £1bn in the Welsh economy. Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

#### **Our objectives are to:**

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

#### **Our vision is to be:**

- A dynamic, action-based advocate for the not-for-profit housing sector.
- A 'member centred' support provider, adding value to our members' activities by delivering the services and advice that they need in order to provide social housing, regeneration and care services.
- A knowledge-based social enterprise.

In 2010, CHC formed a group structure with Care & Repair Cymru and the Centre for Regeneration Excellence Wales (CREW) in order to jointly champion not-for-profit housing, care and regeneration.

CHC welcomes the opportunity to respond to this consultation paper. In responding we have attempted to answer the consultations questions and have also provided some general comments on the guidance as requested.

## Consultation Questions

### Question 1 – Do you agree with the principle of board members of housing associations being remunerated?

In Wales, board member remuneration is not permitted under Schedule 1 of the Housing Act 1996. CHC believes that Housing Associations in Wales should have the same powers and freedoms that are afforded to English Housing Associations to choose whether to pay their boards.

As part of the Housing Pact with the Minister for Housing and Regeneration, CHC agreed to a governance improvement agenda which included adopting a sector Code of Governance in return for greater regulatory freedoms around Schedule1.

### Question 2: Should a maximum amount be set for any remuneration?

How much Associations pay each board members should be left to the discretion of each Housing Association and their boards. To set a maximum limit is an unnecessary level of prescription.

CHC does agree, however, that decisions to pay boards should take into consideration:

- **Fairness:** will it discriminate against the low paid and unemployed, whose benefits may be affected;
- **Cost to the association:** whatever system is agreed should result in proportionate and predictable levels of payment;
- **Comparison:** with similar associations that pay and their experience of different methods.
- **Administrative effectiveness:** simplicity
- **Transparency:** in reaching the decision, stakeholder and tenants views, the payments policy and arrangements.
- **Benefit to the association:** accountability and performance

### Question 3: How helpful is the Guidance?

Having guidance to assist Associations who choose to remunerate their Board members is very useful – the list of sources Associations can refer to is also very helpful..

Having said this, it should be emphasized that this is “ guidance” only. The content of the guidance, as it’s currently written, drifts into being overly prescriptive and in places condescending. It runs contrary to the principles of co-regulation which are based on a proportionate risk –based approach to regulation.

#### Detailed points

More specifically:

- An Association’s decision to pay their board members should NOT be dependent on them having adopted and implemented Community Housing Cymru’s Code of Governance. There may be good reasons why they haven’t been able to implement all the recommended practice in the Code.
- The evidence that payment improves performance is limited and controversial eg the English Regulator’s view is that payment does not enhance good governance despite findings from the recent NHF member survey . Therefore the argument that “the main justification for paying board members must be to improve the quality of governance “ is difficult to support. We therefore recommend that this is substituted with “Associations must be able to justify their reasons for board member payment”.
- Managing board turnover and renewal is a requirement of good governance whether Associations choose to pay their board members or not. Therefore we’re unsure why this has been included and recommend it’s removed from the final version.
- Similarly board size and composition should also be considered irrespective of decisions on board member payment.
- The requirement to “inform the Regulator of intentions to introduce payment so the Regulation team can have assurance that the Association has “complied” “ with the guidance is strange and counter-intuitive. We accept that the Regulator should be told if an Association is introducing board member payment , however, guidance should be “guidance” and should not require evidence of “compliance”.

- The commentary under Regulation of Payments suggests “assurance” for the Regulator should include:
  - Identification of areas where it expected to see measurable improvements. This is inconsistent with the view expressed on page 11 of the consultation document which states:

*“ Some associations may feel their board is already performing well, but nonetheless wish to introduce payments. There may be concerns about the ability to retain the right people on the board, or the quality of future recruits. Some may feel it appropriate to reward their current board members for their commitment and hard work”*

CHC agrees that a decision to introduce payment for board members could just reflect a desire to reward the time commitment of board members – the Association may not be expecting improved governance as a result.

- Also on page 11 of the consultation paper there is a statement that rewarding board members for their hard work “ may be acceptable in the context of driving continuous improvement in the association’s services and better governance” . There are two issues here:
  - Use of the word “acceptable” implies the regulator has to approve the decision to pay board members. This brings into question the decision making powers of the board and officers of the Association. Use of the words “maybe acceptable “ implies a compliance approach and runs contrary to co-regulation.
  - It links payment and improvement and again there isn’t hard definitive evidence that the two are linked.
- We are particularly concerned about the sentence stating that “failure to address those matters before introducing payment will be regarded as a failure to fulfil the basic good governance obligations of the Code of Governance.” This reinforces the view that the document is more than guidance.

## Conclusion

CHC feels strongly that Board member remuneration should be a choice each Housing Association has the power to make. Having guidance on board member payment to refer is extremely useful, however, this should be guidance only and not mandatory prescription.

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