

**CHC Governance Conference
Workshop Session
7th March 2019**

To Pay or Not to Pay?

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Aims of the workshop

- > Overview of where we are as a sector
- > Who's doing what?
- > What challenges and issues the sector has come up against so far?
- > Sharing of views

Where are we as a sector?

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Sector study: Housing Governance Wales 2013

- > 'Payment for board members in the public and voluntary sectors is now common and can help to strengthen governance'... The board member role has become more complex and the sector ought to have the flexibility to use payment as a tool for swifter progress towards diversifying board composition and recruiting to skills gaps.'*

Public Accounts Committee Inquiry 2017

- > “We recommend that Welsh Government give consideration to enabling housing associations to determine whether they pay board members or not, and housing associations are given responsibility for setting that pay in a manner that is open and transparent. Payment ... should be appropriate and discussed in Annual Accounts”

New Act, new freedoms

- > The Regulation of Registered Social Landlords (Wales) Bill (October 2017)
- > Resource Pack commissioned (October 2017) and published by CHC (December 2017)

Trowers & Hamlins' Advice 2018

- > 'It is our view that Welsh Government has ... made clear that RSLs may pay their Non Executives ... provided that they "take due account of" what is contained in CHC's Code of Governance on the subject'.

New CHC Code requirements

- > ***Principle “Effectiveness. The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.”***
- > **Outcome 5.2** All board members have appropriate skills and knowledge of the organisation and can give enough time to be effective in their role.

New CHC Code requirements

- > The board has, and regularly considers, the mix of skills, knowledge and experience it needs to govern, lead and deliver the organisation's purpose effectively. It reflects this mix in its board member appointments, balancing the need for continuity with the need to refresh the board.

New CHC Code requirements

- > There is a formal, rigorous and transparent procedure to appoint new board members to the board.
- > The search for new board members is carried out, and appointments or nominations for election are made, on merit against objective criteria and considering the benefits of diversity on the board. Regular skills audits inform the search process.

New CHC Code requirements: Board pay

- > If the organisation is paying board members, there is a mechanism for establishing payment levels that is supported by independent advice, and agreed payment levels are proportionate to the size and complexity of the organisation. **Payment is linked to carrying out specific duties against which performance is reviewed.**

How many of you have already had a discussion at board about ‘to pay or not to pay’?

Every organisation needs to consider its own case for change

- > Strategic ambitions and financial complexity
- > Increased responsibilities, more demanding, more complex, higher risk board member role; time *required* (time commitments excessive for volunteers)
- > Improving performance, commitment, accountability, more rigorous appraisal; better engagement by Board
- > Board capacity and **succession** a key governance / regulatory risk
- > How to compete with other organisations to attract those with skills to come forward

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Key points

- > Might remuneration assist the organisation achieve its objectives and address actual or potential problems? In what ways?
- > Will payment improve the quality of governance, and is it clearly in the best interests of the association?
- > What are the potential disadvantages of remuneration, and what options are available to address such disadvantages should the Board decide to proceed

Your case for change

- > Recruitment difficulties
- > Skills gaps and vulnerabilities in core business or growth areas
- > More demanding, more complex, higher risk board member role
- > Time commitment excessive for volunteers
- > Other sectors and other RSLs pay

Balancing benefits and risks

- > Professionalism – commitment, contribution and accountability, discipline
- > Recruitment – attract new essential skills
- > Manage governance and regulatory risks – capacity, capability, succession, diversity, scarcity of skills

- Versus -

- > Charitable ethos & risk to integrity of individuals
- > Reputational damage – negative perceptions

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Remember

- > Conflicts inevitable
- > Personal interests and views must be separated from decision
- > Current board members / circumstances separate from decision for future
- > Therefore
 - Independent advice
 - Business case
 - Working within sector guidance
 - Decide objectively

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Remember

- > Pay is just a mechanism
- > Keep it in perspective
- > Less than 1% of turnover

Who's doing what?

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Paying, or not

- > Will get disclosures in next financial statements
- > Possibly around a third, now pay
- > Some decisions made not to pay
- > Most will be considering or reconsidering in the next 12 -24 months

Who

- > Most paying Chair and Board members
- > Some paying Chair only
- > Some paying Committee Chairs
- > Some paying Committee members who are not Board members

What

- > Remuneration for (Group) board Chairs in the **very largest and / or most complex** organisations of around £14 - £15k, and for (Group) Board members around £5k - £6k.
- > Remuneration for Chairs in **middle – large** size RSLs of around £9k - £10k, and Board members £4 - £5k
- > Remuneration for Chairs in **smaller or less complex** RSLs of around £3k-£4k and for board members around £2.5 -£3k

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**What challenges / issues has the sector
come up against so far?**

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Concern / Risk	Potential mitigations
Remuneration is not 'in harmony' with the charitable values of the organisation	Board remuneration provides recognition of contribution, there is no proposal to pay a market rate
Potential negative impact on individual applicants in receipt of benefits	Potential positive impact on some in receipt of benefits, and low paid individuals

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Impact on benefits – example 1

- > Single person of working age
- > Disabled and not expected to work
- > Receives Universal Credit £1,146.14 per month and Personal Independence Payment £145.35 weekly
- > Scenario: If remuneration of £3000 per year (£250 per month) awarded to the board member, her overall net income would be increased by £2,606.88 per year.

Impact on benefits – example 2

- > Single person of pension age
- > State pension £125.95 , small works pension £37, top up of Pension Credit (Guarantee Credit) £64.35, Attendance Allowance £85.60 (all per week)
- > If £3,000 per year is awarded to the board member, his overall net income would be increased by £260.12 per year

Concern / Risk	Potential mitigations
Potential indirect discrimination against disabled people	The illustrations do not support this
Local Authority members who are nominees and therefore remunerated by the Council cannot also be paid for Board membership	The principle of being paid only once applies to anyone already remunerated (e.g. if Executives were to be elected to the Board)
An organisation's Rules must allow payment	The CHC model rules have allowed payment for some time.

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Concern / Risk	Potential mitigations
Organisation would rather promote the role as doing something for the common good.	Recruitment stressed the contribution to the common good and this will not change
Risk will be perceived negatively by tenants, i.e. that it is coming from rental income.	Effective and consistently implemented communications

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Concern / Risk	Potential mitigations
Impact on travel expenses to and from the Board Room	Basic solution - wrap up within allowance High admin solution - Pay and tax through PAYE Negotiated solution – negotiate and exemption from HMRC Reclassify solution - reclassify as of NEDs as “homeworkers”

Conclusion

- > All Boards will have to think about pay
- > Reasonable to stay unpaid if there is no business case
- > Attracting skills

What are you grappling with?

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To pay or not to pay

Final questions ...

... Do you have three things to take away
with you and think about?

Thank you, and enjoy the rest of the
conference

**To pay or not to pay....
....that is the question**

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