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DATE: 15 July 2015

Dear Councillor

CABINET – TUESDAY 21 JULY 2015

Agenda item 6 - Outside Organisation Arrangements 2015-2019 (Pages 1 - 4)

Please find attached an Appendix to be taken in conjunction with the above report.

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Appendix

Proposed Governance Changes at Peaks & Plains, Plus Dane and Wulvern

1 Purpose

This submission, on behalf of the three stock transfer Housing Associations in Cheshire East, (Peaks & Plains, Plus Dane and Wulvern) is seeking the Council's formal approval to a range of proposed rule changes. In each of our constitutions; the Council as a corporate body is required to approve any changes to our Articles of Association.

2 Background

- 2.1 These changes are being requested, following detailed discussions within each of our Boards about how we best improve the quality of our governance in response to the heightened expectations placed on us by our regulator; the Homes and Communities Agency (HCA). It is difficult to overstate the extent to which the demands for significantly improved governance in the sector have increased over recent years. We all feel that as mature, independent bodies (with at least 8 years since transfer) it is timely for us to fundamentally re-consider the appropriateness of our respective governance arrangements. As independent bodies, we will each have our own differing needs, distinctive emphasise and tailored solutions.
- 2.2 Failure to meet the HCA requirements will, at best result in reputational damage to the Associations and the wider community and at worst the removal of local control over homes within Cheshire East.
- 2.3 Over the last couple of years the HCA has become much more demanding of all Housing Associations on the quality of governance required to meet their regulatory requirements, not least following the near insolvency and collapse of Cosmopolitan Housing Association. In the Regulator's view a lack of appropriate skills on Cosmopolitan's Board capable of managing the risks of complex financial instruments and diversification, together with weak analytical skills were key factors in this regulatory failure. The full findings of the report <http://www.altairltd.co.uk/cosmopolitanreport.pdf> make for sober reading. We must all now rise to the Regulator's challenge to deliver the best possible standards of governance to manage the increasingly complex and significant risks facing the sector, and greater diversification of activities (not least working in partnership with Councils and Health bodies in the delivery of outsourced services).
- 2.4 The HCA is always at pains to stress that Housing Associations are independent bodies; whose Boards are charged with the responsibility and liability for making decisions on their governance arrangements. Consequently there is no prescribed formula from the HCA as to Board composition, size or approach. In each of our cases, our Boards have determined what they feel is most appropriate for them. They do differ from each other, but that is to be expected; we have different risk appetites, different cultures and different Board development needs. However, what we all have in common is a strong commitment to good governance and to its continual improvement. Our respective Boards, as custodians of our regulatory compliance genuinely feel these changes to be in their best interests and would respectfully argue against consistency for the sake of it.

3 Council Nominees on Boards

- 3.1** Each of the Association Boards includes Council nominee Board members; which were a standard requirement of governance structures at the time of housing stock transfers from Local Authorities. They were intended to provide a degree of community oversight to these fledgling, untried organisations, which had made ambitious promises to the councils' tenants before transfer. The council acted as the community voice to ensure they were delivered. As each of us has matured well beyond the successful delivery of those original promises and have a successful track record of delivery, new competencies, skills and roles are required from Board members. However what we all share is a commitment to good governance and to its continuous improvement.
- 3.2** The HCA, in raising the bar on its expectations of Governance has placed great store in Associations setting out clear competency and skill matrices and rigorously recruiting Board members against these. This has tended not to have been a pattern of council nominee appointments in the past and presents a serious challenge in the future; where finding local authority nominees with the interest, time and commitment to joining our Boards whilst also closely matching the very specific and previously identified skills gap to achieve the balanced Board skill set required by the HCA.
- 3.3** Increasingly we are likely to be looking for example of experience of operating in Capital markets, delivering complex and much more varied development activities and above all a razor sharp commercial mindset to drive financial efficiencies. Such skill set requirements may in the future change more frequently and more comprehensively than in the past. We will need our Boards to be nimble and when appropriate to quickly change the skills and often the people holding them. This will not sit easily with the traditional annual appointment round of Local Authority nominees.
- 3.4** Whilst the range of skills required increases, simultaneously the trend is towards smaller Governing bodies, not dissimilar to the introduction of cabinets in Local Authorities ; which will require each and every Board member in future to bring a combination of a number of required skills and competencies.
- 3.5** The current situation for each Association and their respective proposals are shown below:

Housing Association	Current Number of Nominees	Proposed Number of Nominees	Payment of Board members currently	Comments
Peaks & Plains	2	1	N*	Felt appropriate for a mature, independent org'n *Approval requested to make payment
Plus Dane	2	1	Y*	This nominee would join the new single groupwide Board *Group Board members
Wulvern	3	1	Y	

Housing Association	Other Proposed Change
Peaks & Plains	1. Removal of need for council nominee Board Member to be present for a Quorum at Board Meetings 2. Have consistent approach to recruitment, retention and retirement of Independent and Tenant Board members
Plus Dane	Collapsing of PlusDane Cheshire subsidiary Board into Group Board & Adoption of NHF Model Rules
Wulvern	Adoption of new set of rules: NHF Model Rules 2011

5 Timescale and Next Steps

Having arrived at their respective positions after long and detailed discussions within their Boards, the three Associations are anxious to ratify these changes. For some that will mean holding Extraordinary General Meetings, where resolutions will need to be circulated in advance, and which require the council's approval. A council decision by February would be welcomed to allow these changes to be made this financial year.

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