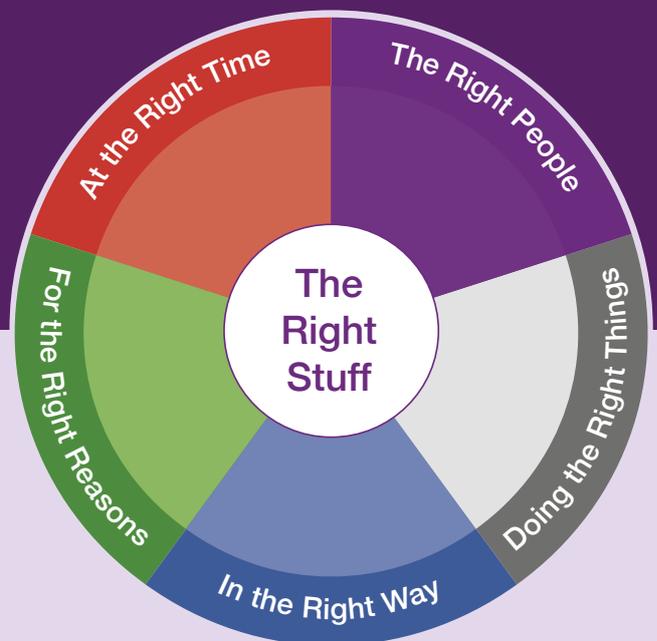




Llywodraeth Cymru  
Welsh Government

# The Right Stuff – Improving Housing Association Governance in Wales



Regulatory Board for Wales  
Progress Review of Housing Association Governance in Wales  
March 2018

# The Regulatory Board would like to thank everyone who contributed to this Review

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**Community Housing Cymru staff who assisted in administration of the workshop events.**

## CHC's Governance Officers' Network

**The many housing association Board Members and staff and sector stakeholders who took the time to attend our workshops and complete our surveys.**

## Contents

Why Review Governance? Why now?	4
<b>Looking Back –</b> How has Governance changed following the 2013 Governance Review?	6
<b>Looking Forward –</b> Improving Housing Association Governance in Wales	8
<b>The Right Stuff –</b> A Vision for Good Governance	10
<b>Opportunities to Strengthen Sector Governance</b>	11
<b>Making it Happen</b>	13

## Why Review Governance? Why now?

The Regulatory Board for Wales is charged with advising the Minister for Housing and Regeneration on the performance of the housing association sector.

Having been re constituted in 2016, the Regulatory Board formed an early view, based on reporting from regulatory engagement, that the quality of governance within the housing association sector remains mixed – good in places but out of touch with modern governance standards in others.

This is of particular concern when the sector is operating in an increasingly risky and challenging housing and economic context whilst continuing – as evidenced by recent Community Housing Cymru Housing Horizons work (see [www.chcymru.org.uk/housing-horizons-for-more-information](http://www.chcymru.org.uk/housing-horizons-for-more-information)) – to have high aspirations for what the sector can achieve in the future. The context of housing associations' work is changing much more quickly than in the past and more fundamentally, placing greater importance on horizon scanning and robust planning for change.

In that context, high quality governance is of fundamental importance.

### **This prompted the Board to commission a Review aimed at:**

- Understanding progress prompted by the major sector review of governance in 2013;
- Getting a more robust and clearer view of the current quality of governance sector wide;
- Understanding the attitudes and behaviours that support good governance; and
- Promoting improvement of governance across the sector.

### **A Collaborative approach**

In scoping the Review, the Board was clear that it should form close links with Community Housing Cymru's (CHC) review of its Code of Governance and should inform CHC's developing governance support offer. (See Supplement 1 for the full Review scope).

The Review was undertaken by an independent consultant, Tamsin Stirling, and members of the regulation team and the work and findings were overseen by a steering group, chaired by a member of the Regulatory Board, comprising a range of sector and stakeholder representatives.

Recognising that governance is important to everyone involved with housing associations, the Review sought to hear from as many of those as possible through surveys, workshops and specific work with tenants and service users, lenders and regulation managers.

### **We want this work to make a difference**

The Regulatory Board have been clear that the aim of this Review is to prompt governance improvement across the whole sector, not to produce a glossy review report. We want to ensure that the Review findings are accessible to, and used by, all housing associations.

Good governance requires continuous attention. We want our findings to help every housing association to continuously and rigorously consider the quality of their own governance to prompt improvement.

### **As a result, this report is short and highly focused, covering:**

- Progress from 2013 review and what remains to be done;
- Key messages for Boards on what they need to consider in ensuring their governance is, and remains, fit for the future;
- A vision for good governance; and
- Identified opportunities to strengthen governance.

The Review findings have all been developed in collaboration with the sector and stakeholder representatives on the steering group.

Key background information, further detail and a literature review are provided in a separate supplement report to assist Boards and housing association staff as they review and work to improve the quality of their governance.

### **Who's the Report aimed at?**

The primary audience for this report is the Boards of housing associations, reflecting their ultimate collective responsibility for governance. However, we hope it will be useful to anyone involved, or with an interest, in housing association governance.

### **Regulating Governance**

The Regulatory Framework for Housing Associations Registered in Wales sets out the standards of performance set by Welsh Ministers.

Each housing association is responsible for demonstrating to the Regulator that it is meeting those performance standards through a clearly evidenced self evaluation and statement of compliance, verified through ongoing regulatory assurance and oversight.

Ultimate collective responsibility for the quality of governance lies with the Housing Association Board.

It's for each individual organisation to demonstrate to the Regulator that it has adopted the most effective governance model and that the model is being applied correctly.

Performance standards require each housing association to adopt and comply with an appropriate code of governance.

In Wales, almost all associations have adopted the CHC Code of Governance.

The Board must be satisfied that it can robustly demonstrate to the Regulator that it complies with its adopted Code of Governance.

This Review sits alongside the ongoing work of the regulation team. The Right Stuff vision and the identified opportunities do not form part of regulatory requirements but regulation managers will discuss, as part of regulatory oversight, how individual associations are responding to the Review findings.

## Looking Back –

### How has Governance changed following the 2013 Governance review?

The 2013 Sector Study highlighted the need for a step change in housing association governance in Wales.

[www.gov.wales/statistics-and-research/sector-study-governance-housing-associations-registered-wales/?lang=en](http://www.gov.wales/statistics-and-research/sector-study-governance-housing-associations-registered-wales/?lang=en)

Reflecting the relatively underdeveloped state of housing association governance at that time, its recommendations were primarily focused on processes and systems.

It's heartening to see that progress has been made by the sector in addressing the 2013 recommendations and that there is an evident general culture change with housing associations more overtly aware of the importance and benefits of good governance.

However, more than four years on, there remain a number of areas where progress has been limited.

More needs to be done to achieve the step change in governance quality which the 2013 review considered necessary.

We've considered why more hasn't been achieved and, aside from considerations relevant to individual organisations, we can see two sector wide factors have contributed.

First, the 2013 review did not make specific provision for accountability for monitoring and ensuring progress on its recommendations. Second, nothing was put in place to deal with the identified issue of where thought-leadership on housing association governance in Wales should lie.

The opportunities set out as part of this 2018 Review seek to ensure that these issues are addressed going forward.

## What's Improved?

### And where is more work needed?

#### How do we know?

As well as insight from surveys of housing associations, tenants and service users and key sector stakeholders and workshops held with senior housing association staff and Board Members, we have assessed progress based on detailed input from those with the best idea of what's happening on the ground – CHC's governance officers' network and regulation managers.

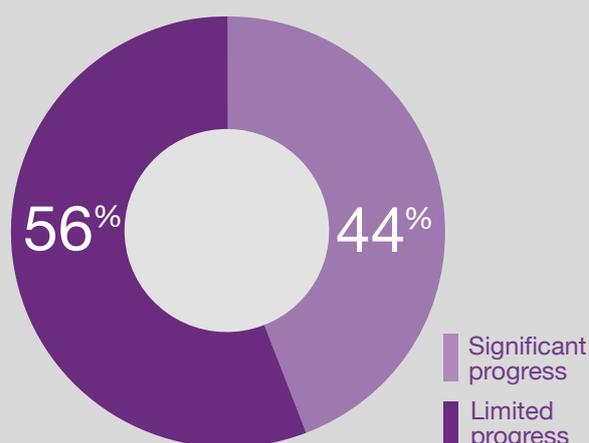
The 2013 review included 25 recommendations. Most of these were categorized as actions for individual housing associations with a smaller number referring to actions for the sector as a whole.

We've included more detailed findings in our supplement report but here's a flavour of what we found.

### Progress on 2013 recommendations for action by individual housing associations

We found that, overall, limited progress has been made in relation to more than half of the recommended actions. This is a sector wide overview. We know that some associations have made significant progress whilst others have done much less.

#### 2013 recommendations progress – individual associations



## We found that notable progress has been made in relation to the recommendations relating to all associations having:

- Governance improvement plans;
- Core governance documents;
- Skills matrices and role descriptions for Board Members;
- Fixed terms for Board Members; and
- Board Members meaningfully involved in generation of business plans and close monitoring of strategic risks.

## Other key areas have yet to be fully addressed:

- Communication – to the full range of stakeholders.
  - Compliance with the Code is not being reported by all associations in annual reports and/or on websites.
  - Standards of governance used and compliance with these is not being reported by all associations in annual reports or on websites.
- A significant proportion of associations have Board Members who have been on the board for at least three years longer than maximum term identified by the association's adopted code.
- Not every association is demonstrating commitment to improving the financial capacity of Board Members.
- Not all Boards are reviewing tenant profiling information and how this is used with reference to changes in the external environment.

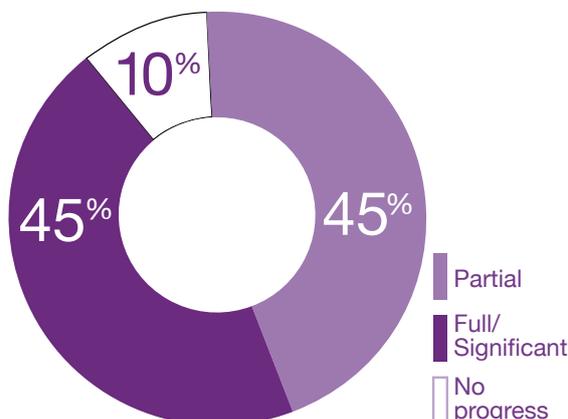
A number of the areas that still need attention resonate with recommendations of the August 2017 Public Accounts Committee report.

[www.assembly.wales/laid%20documents/cr-ld11151/cr-ld11151-e.pdf](http://www.assembly.wales/laid%20documents/cr-ld11151/cr-ld11151-e.pdf)

## Progress on 2013 recommendations for action by the Sector

We've included more detailed findings in our supplement report but here's a flavour of what we found.

## Progress on 2013 recommendations for the sector



We were able to identify a significant range of actions taken to address the recommendations but we found it difficult to assess the impact of the action taken, leading us to conclude that a focus on outcomes must be a key element of the findings of the current Review.

Full progress is evident in relation to the Code of Governance for the sector and board remuneration.

Significant progress can be seen in relation to encouragement of competency based board recruitment; a governance, social purpose and commercialisation conference; and focus on high level risks.

There has been more limited progress in relation to how the large scale voluntary transfer (LSVT) model might be changed after the initial years; engagement structures, particularly for chairs; investment in a talent pool of non-executives; connecting Board Members and disseminating good practice; and building an inclusive and diverse vision of good governance.

There has been no appreciable progress in relation to getting clarity on which body provides thought-leadership in governance.

## Looking Forward – Improving Housing Association Governance in Wales

We've distilled the wealth of information and feedback collected during the Review, to provide some key messages about what's needed to achieve and maintain governance fit for the future and to develop a vision for good governance for use by Boards in thinking about their own governance and how that needs to develop and improve.

### Key Messages

These messages are addressed to Board Members, reflecting their ultimate collective responsibility for governance, but are of obvious interest to all affected by, involved or interested in, housing association governance.

#### Don't make the mistake of thinking this doesn't apply to you and your organisation

- Everyone needs to take the opportunities arising from this Review seriously – no housing association is perfect.
- Governance needs to be given constant attention – work to improve governance is never 'done'.
- No one is immune from governance problems. Your organisation could be the next organisation in trouble. Any organisation is potentially vulnerable.

#### Robust Board Assurance is vital

- Every Board Member must ensure that he/she:
  - Understands the full scope of his/her responsibilities as a Board Member;
  - Has a strong grip on what is happening in their organisation and on the quality of its governance;
  - Demands assurance which is based on robust evidence – as a Board Member, you should not be happy to just “take someone's word for it”; and
  - Is confident that their organisation's board assurance arrangements are fit for purpose and fit for the future.

#### The stakes on good governance can only get higher

- Poor governance lies behind every housing association failure. Don't let this be your organisation.
- New legislation will place new responsibilities on Boards, raising the stakes on quality of governance.
- The housing and economic context is increasingly challenging for housing associations, their tenants, service users and the communities they serve. Strong governance is essential to effectively respond to these challenges.
- Continued regulatory focus on co-regulation emphasises Board responsibility for demonstrating effective leadership and good governance.

#### There is no-one-size-fits-all model of good governance

- This Review provides a vision for good governance and supporting material to help point you in the right direction but you need to decide on what's right for your organisation.
- Within each housing association, Board Members, the Executive Team, tenants, service users and others need to decide what the right model of governance is, put that model in place and keep its fitness for purpose under regular review.
- Your board is ultimately accountable for every aspect of your association's success or failure – do not look to the Regulator to give you the model answer.

## The next steps on our governance journey are about behaviours and culture

- The 2013 review recommendations largely focussed on systems and processes and progress has been made, although more needs to be done. Modern governance thinking highlights the key importance of behaviours and cultures to good governance and this needs to be the focus moving forward.
- There needs to be a sector-wide focus on behaviours and culture supported by effective systems and processes and driven forward by great leaders/leadership.
- Culture and behaviours are as vital to good governance as process – if they're not right, you risk failure. Without the right people, even the best processes and structures will not result in good governance.
- But – processes and structures remain important and there's still work to be done. These must not be neglected as we move our focus to behaviours and culture.

## To succeed you will need

- Effective leadership by the Chair, Board and Executive team;
- Appropriate skills, behaviours and attitudes– of the Chair, Board Members and the Executive team; and
- A robust tenant and service user perspective. Good governance incorporates ways to properly understand and prioritise the tenant experience eg using customer insight. This whole area will be the focus of the next Regulatory Board review. The current Review found that putting tenants at the heart of services is not the same as having tenants on your board. That's just one option available to organisations to ensure an effective tenant and service user perspective. It has its limitations, as Board Members who are tenants or service users are there as individuals not as tenant or service user representatives.

## The Right Stuff – A vision for good governance

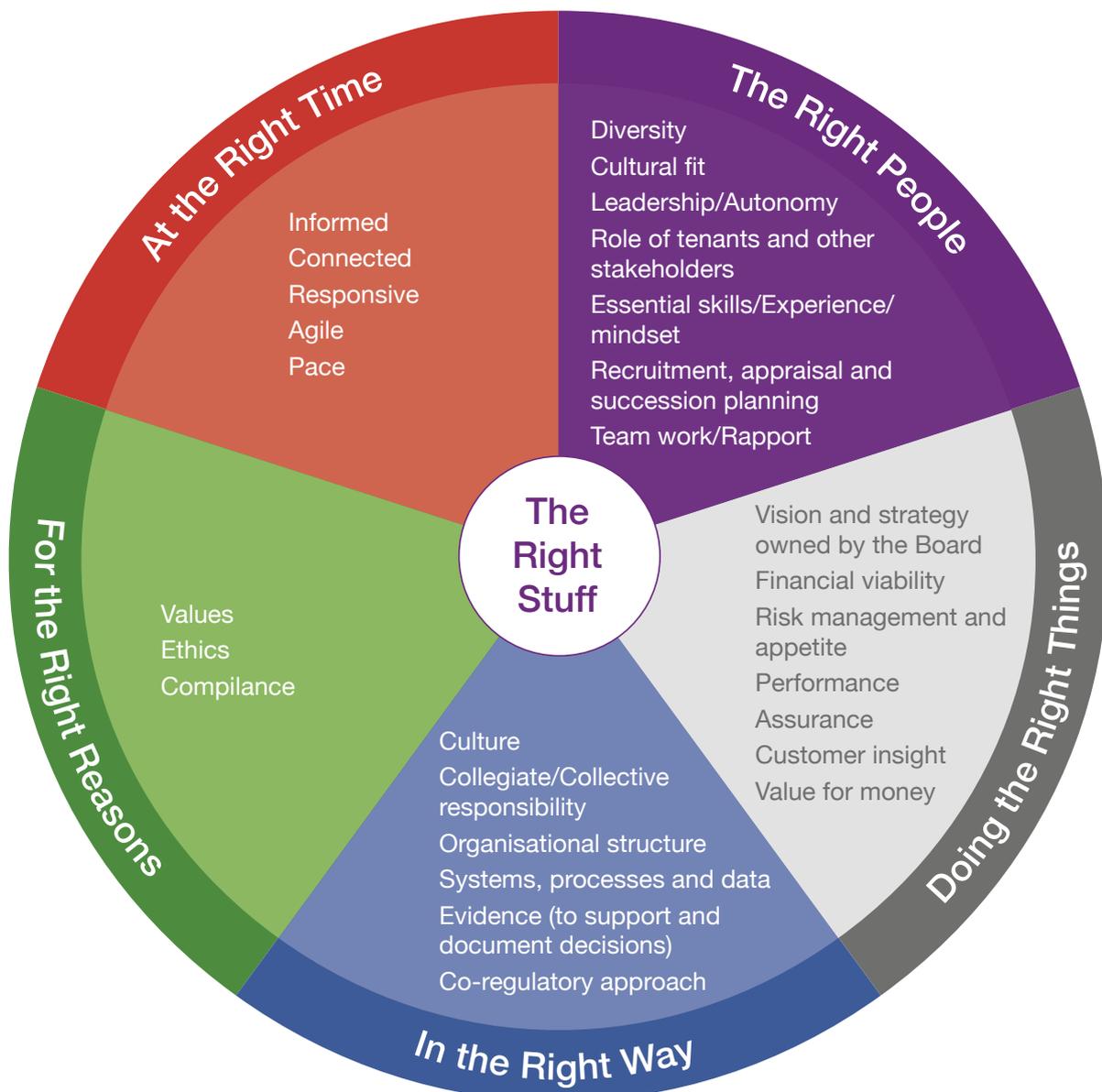
The Right Stuff is a high level framework for understanding what good governance looks like. This is intended to be indicative rather than prescriptive and the prompts are by no means exhaustive. The prompts are suggestions to stimulate thinking by organisations around the five key themes of the framework.

They illustrate the kind of topics which it could be useful to consider under each of the Right Stuff areas but each board and each organisation needs to decide what is the Right Stuff for their particular circumstances.

We would like to see housing associations using this framework to prompt self-reflection and evaluation and to provide a structure for productive conversations about good governance, both within associations, within the sector and between associations and the Regulator.

Organisations can decide for themselves what they need to take into account to ensure that they are doing the right stuff when it comes to governance.

## Vision of Good Governance



## Opportunities to Strengthen Sector Governance

We can see real opportunities to achieve the quality governance needed for the future. This needs input from everyone – individual associations, CHC, the Regulatory Board and the Regulator – and a high degree of effective collaboration. We all have the same ultimate goal – excellent governance supporting a vibrant and healthy housing association sector.

### Opportunities for individual housing associations

- Revisit the 2013 recommendations and address necessary improvements.
- Use and adapt The Right Stuff framework to support ongoing evaluation of your own governance model, policies, practices and behaviours.
- Regularly – at least annually – review governance effectiveness. To ensure independent validation and challenge, the Regulatory Board would like this review to comprise, at least every three years, a formal and comprehensive review of governance effectiveness which takes account of developing governance practice in the housing association sector and beyond and include an independent element e.g. peer review or the use of a consultant.

### Opportunities for the Sector

- Grasp the need for thought-leadership in governance by forming a group to take that role. Thought-leadership means the development and dissemination of cutting edge practice, innovation and expertise.
- In the short to medium term, this group should also oversee pursuit of the opportunities arising from the Review and judge the effectiveness of the actions taken, with a clear focus on outcomes rather than action, as well as providing key input to CHC in embedding governance discussion and debate across its events and network.

- The membership of this group should include sector members, the Regulator, Regulatory Board representation and others all chosen for their ability to make a clear, effective contribution to thought-leadership in governance with the Group jointly owned by CHC and the Regulatory Board.

### Opportunities for the Regulator

- The Regulator should continue to place an increased emphasis on governance through regulatory engagement, held to account by the Regulatory Board for Wales and applying the regulatory framework in a proportionate and effective way giving clear and early indication where standards of governance fall below those expected.
- The Regulator should actively and regularly share with the sector the lessons learned through regulation, including the early warning signs of potential governance problems.
- The Regulator should provide further clarity to the sector on regulatory expectations in relation to governance.

### Opportunities for the Regulatory Board for Wales

- Develop a better understanding of how customer insight and tenant and service user involvement can both shape and inform governance through its thematic review of tenant and service user engagement planned for 2018.
- Continue to develop its role in supporting the drive towards better governance.

### Opportunities for Community Housing Cymru

- Increase support to the sector to improve the skills, values and behaviours based Board Member recruitment needed to enable the sector to achieve its future ambitions.

- Increase efforts to build a diverse talent pool of potential Board Members.
- Ensure its governance support package clearly recognises the important leadership role of the Chair and Board Members in developing effective governance and caters to a wide range of potential recipients include Chairs, Board Members, potential Chairs and Board Members, governance practitioners and senior management teams.
- The support package should encompass priority areas identified during the course of the Review ie:
  - Opportunities for networking;
  - Facilitating/supporting peer review;
  - Leadership mentoring/training;
  - Accredited qualifications;
  - An expert advice panel (linked to, but not part of, the proposed thought-leadership group);
  - Links to other sectors for sharing effective governance practice and lessons learned from failures in governance;
  - Further development of Come On Board to facilitate effective recruitment of Board Members;
  - Chairs/potential Chairs development package;
  - Development package for Board Members; and
  - Brokering of coaching/mentoring.
- Improve access to the wealth of governance experience and knowledge which already exists in the sector by facilitating peer support and information/ good practice dissemination. We felt that a dedicated website should be explored as well as the potential for sponsorship to finance costs.
- Formal recognition that effective governance is vital to enabling the sector to deliver the ambitions set out in Housing Horizons. [www.chcymru.org.uk/housing-horizons](http://www.chcymru.org.uk/housing-horizons)
- Include and embed governance issues and debate across all conferences, events and policy work, working closely with the thought-leadership group in doing so.

## Making it Happen

It is a priority for the Regulatory Board is that this governance Review and progress report should make a difference by prompting action across the sector and key stakeholders.

That can only happen if the collaborative, open and honest approach which has underpinned this Review continues into the future.

We believe the sector can achieve excellent Governance but it requires commitment from all to make that happen. Progress since the 2013 review illustrates the sector's commitment to improve though slow progress in some areas highlights the need for a renewed focus and increased momentum.

We want to see the sector and its key partners embracing the opportunities set out in this report.

### If that happens, we hope to see:

- Regular and positive discussions taking place within all housing associations, and between housing associations and the Regulator, about the fitness for purpose of their governance structures, processes and behaviours;
- Ongoing lively national debate about housing association governance stimulated by a range of outputs from the thought-leadership group and including a higher profile for governance issues at sector conference and events;
- Embedded good practice and ultimately fewer governance failures in the sector; and
- Welsh housing associations recognised and known for the high quality of their governance.

Learning from the 2013 review, the thought-leadership group will take responsibility for monitoring progress in relation to the opportunities set out in this report and the further development of good governance across the housing association sector.

Initially, it was intended that this Review should identify and highlight governance good practice within the sector. It quickly became clear that, in a context where no one size fits all model of good governance is appropriate, this is very challenging to achieve.

CHC's governance officers group has volunteered to take on the role of sharing practice and knowledge between organisations and sectors to support the sector in its governance improvement.