

ADOPTION OF NATIONAL HOUSING FEDERATION CODE OF GOVERNANCE 2015

Report of the Finance Director & Company Secretary

1. SUMMARY

The National Housing Federation (NHF) has updated its Code of Governance. Derby Homes currently uses the NHF 2010 Code and, following discussion at the Governance Services Committee (GSC), this report seeks approval to adopt the 2015 Code in future and to explain the impacts that this could have.

2. RECOMMENDATION

- 2.1 To adopt the NHF 2015 Code of Governance as the relevant Governance Code for Derby Homes.
- 2.2 To adopt a practice of not extending periods of office for Tenant or Independent Board Members beyond nine years. Current periods of office would be honoured and not curtailed immediately.
- 2.3 To adopt a practice of the Appointments Panel reviewing Tenant and Independent Board Members' contribution to the Board formally, six months before the expiry of their period of office and for that Panel to determine whether to offer a further period or to open the position to others.

3. MATTER FOR CONSIDERATION

- 3.1 The GSC considered a report at its meeting on 14 May 2015 about the new, updated 2015 version of the NHF Code of Governance. The report is attached at Appendix 1, with its relevant appendices being the Code and an initial review of compliance. The Homes and Communities Agency (HCA) will expect that most Registered Providers (RPs) will adopt the updated code.
- 3.2 Largely the code upholds similar principles to those in the previous code, but does gently tighten the expected standards. The expectation is that most requirements and provisions of the code would be fully complied with, but some non-compliance on individual elements is permitted as long as this is explained in a non-compliance statement. This statement is to be included in the company's accounts each year with the justification for non-compliance therefore explained publically.
- 3.3 An initial review of our current practice was shared with the GSC at Appendix 2 to the report to the GSC. The GSC suggested that further updating and evidence gathering would be necessary before formal submission in next year's accounts.

This will be brought back as an annual review each year, probably to the March Board.

- 3.4 In terms of the actions identified in the report to the GSC the following actions are being undertaken or are proposed:
- 3.4.1 Board Skills – a review of Board Skills is being undertaken following a report to the GSC in August. The Board will be invited to consider its ideal skills mix and any identified shortfalls at present at a later meeting. The constitution of Derby Homes takes precedence over the NHF code even if it is adopted and the nature of the Board – having three sections of three members – means that an ideal set of skills may be more difficult for Derby Homes than for other RPs that are not structured in our way. The balance of Councillors and Tenants amongst Board Members is seen as a strength, rather than a weakness in our structure, but may lead to a reduced ability to cover all ideal skills within the Board.
- 3.4.2 Maximum Tenure – the GSC suggested adopting an absolute rule of nine years maximum tenure for Independent and Tenant Board Members once current periods of office expire. Councillors are appointed by the Council and would technically be a non-compliance with the Code that would be explained in a statement if a continuous period in excess of nine years occurs. As Councillor Board Members are re-appointed each year by the Council, it is not proposed that they should be subject to the same rule which is intended by the Code to avoid a lack of scrutiny of a Board Member's role. The Councillor Board Members are already subject to both the electorate of their ward and to their group and Council nominations each year. Cllr Roy Webb would be the only current Board member in this position.
- If adopted, it is not recommended that the constitution is changed – the constitution allows the Board to make exceptions as it sees fit, and the NHF Code suggests that the constitution takes precedence over the Code. The recommendation would be to implement a new policy and practice that the expectation would be that the Board would not extend a period of office for tenants or independents beyond nine years.
- 3.4.3 Re-appointment of Board Members (Tenant and Independents): the Board should consider whether the Member's skills and attributes merit an extension before the end of the period of office. It is suggested that the Board appoints an appointments panel six months before the expiry of any period of office (which should apply to one tenant and one independent each year), allowing time to replace any Board member that is not considered by the panel to be suitable to continue. Again this would be a new way of operating the current constitution rather than a formal change to it.
- 3.4.4 Appraisal of the Board is being arranged and undertaken with a peer review process with Rykneld Homes.
- 3.4.5 The policy relating to payments to Board Members has already been resolved by the Board at its last meeting.
- 3.4.6 Review of the Managing Director's contract conditions at a minimum every three years has been passed to the GSC by the last Board meeting.

- 3.5 With the adoption of these further actions, Derby Homes should be compliant with the NHF Code 2015 with the possible exception of any Councillor appointments beyond nine years which would be explained in a statement of non-compliance each year.
- 3.6 The GSC recommended adoption of the Code by the Board to take effect from the 2015/16 accounts.

4. LEGAL AND CONFIDENTIALITY IMPLICATIONS

Governance issues are matters reserved to the Board of Derby Homes. The GSC considers the detail and makes recommendations. The NHF Code of Practice is a guide to good practice and an appropriate Code is expected to be followed. The constitution of Derby Homes, however, takes precedence over the Code. Ultimately it is for the Board, the Council and – for our Objects only – the Homes and Communities Agency to determine any changes to the constitutional arrangements. The proposals here do not suggest any formal changes to the Memorandum and Articles and therefore do not require any approval other than from the Board.

The areas listed below have no implications directly arising from this report:

Consultation
Financial and Business Plan
Council
Personnel
Environmental
Equalities Impact Assessment
Health & Safety
Risk
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: Appendix 1 Report to Governance Services Committee 14th May 2015
Plus Appendices – NHF code 2015 and initial review of compliance.

Supporting Information: None