

# National Housing Federation Code of Governance 2020

Draft for consultation – 5 August 2020

## Contents

Introduction .....	2
The National Housing Federation Code of Governance 2020 .....	4
Principle 1 – Mission and values .....	4
Principle 2 – Strategy and delivery .....	6
Principle 3 – Board effectiveness .....	9
Principle 4 – Control and assurance .....	14

## Introduction

A code of governance sets out the standards that organisations can reasonably be expected to achieve if they are well-governed. Typically, standards cover the role and membership of boards, the key tasks involved in effective strategic leadership, and the checks and balances necessary to protect the interests of stakeholders.

Many such standards are more or less generic, and might sensibly be applied across organisations in any sector. The distinctive social purpose and funding model of National Housing Federation (NHF) members, however, call for a code tailored to reflect the need to protect and promote the interests of their residents and the communities they serve, while safeguarding public and private investment in social housing and maintaining public trust in the sector.

As such, this new 2020 code requires those adopting it to make sure that:

- The views and needs of their residents and other customers are at the heart of strategic decision-making.
- That there is robust oversight of measures to keep residents, other customers and staff safe.
- That boards exert a firm grip of risk, including thoroughly testing the impact of potential risk scenarios on the organisation's future plans.

Reflecting developments in our understanding of good governance, we have placed more emphasis in this new code on:

- Accountability to stakeholders, including residents, local authorities, other customers and staff.
- Equality, diversity and inclusion in governance.
- Sustainability.
- Organisational culture.

The code sets out four core principles, and stemming from each is a set of requirements with which organisations adopting the code must comply – or give a reasoned explanation as to why they do not. These requirements are set out in the four sections under the heading ‘compliance: from principle to practice’. They are phrased as a description of a compliant organisation, and are designed to be specific

and measurable, such that organisations should be able to identify and record evidence that they comply with each one.

The housing association sector is made up of a variety of types and size of organisation undertaking a range of different activities. The code is designed to accommodate this diversity, and those adopting it should apply it in a way that is proportionate to the size, complexity and scale of their organisation, and should be able to demonstrate that they uphold the four core principles. We will be publishing good practice guidance on the application of the code for different types and sizes of organisation.

## The four principles underpinning the code

1. **Mission and values:** The board sets and actively drives the organisation's social purpose, mission, values and ambitions, and through these embeds within the organisation resident focus, inclusion, integrity, openness and accountability.
2. **Strategy and delivery:** The board sets the organisation's plans and strategies and exercises demonstrable and effective oversight of their delivery.
3. **Board effectiveness:** The organisation is led by a skilled and diverse board which regularly reviews and capably manages its own performance and effectiveness, and ensures that it complies with this code.
4. **Control and assurance:** The board actively manages the risks faced by the organisation, and obtains robust assurance that controls are effective, and that plans and compliance obligations are being delivered.

# The National Housing Federation Code of Governance 2020

## Principle 1 – Mission and values

The board sets and actively drives the organisation's social purpose, mission, values and ambitions, and through these embeds within the organisation resident focus, inclusion, integrity, openness and accountability.

### Compliance: from principle to practice

- 1.1. **Mission:** the board sets the organisation's mission, ambitions and values, and at least annually reviews and reaffirms their relevance and achievability.
- 1.2. **Resident focus:** the views, needs, safety and aspirations of the organisation's residents and other customers are placed at the heart of the board's decision-making.<sup>1</sup>
  - (1) There are policies, frameworks and opportunities that enable, encourage and support residents and other customers to engage with, influence and contribute to strategic decision-making, and in particular to decisions that affect their interests.
  - (2) The board is regularly provided with insights and concerns from its residents and other customers and uses these to inform decisions where appropriate.<sup>2</sup>
  - (3) Ensuring the safety of residents and other customers (and that of the workforce<sup>3</sup> and the wider public) is an overriding priority.
  - (4) The organisation regularly reports to its residents on how its commitments to resident focus have been delivered.
- 1.3. **Equality, diversity and inclusion:** the board demonstrates a clear commitment to achieve equality of opportunity, diversity and inclusion in all of the organisation's activities, reflecting the diversity of the communities it serves. It has policies and statements which actively demonstrate this commitment, and sets priorities and objectives for the organisation to achieve.

---

<sup>1</sup> See also 1.7 on accountability to residents and other stakeholders.

<sup>2</sup> See also 2.6 (1) on performance.

<sup>3</sup> See 2.5(4) on workforce matters.

- (1) The board seeks regular assurance about how these commitments and objectives are being delivered in practice, and tracks progress against the priorities it has set.
  - (2) The organisation at least annually publishes information about its work to deliver these commitments and objectives and the progress it has made.
- 1.4. **Culture:** the board regularly considers and defines the culture and behaviours that will best enable the organisation to deliver its mission and values; it has assurance that these are being enacted in practice.<sup>4</sup>
- 1.5. **Integrity:** the board, its members and the organisation maintain high standards of probity and conduct.
  - (1) There is a publicly available register for declaration of interests which is reported on at least once a year to the board.
  - (2) Where there is a material conflict of interest, any individual concerned withdraws from the board's discussions or decisions on relevant matters.
  - (3) In the case of a fundamental or ongoing material conflict the board determines whether the person concerned should cease to be a board member.
- 1.6. **Conflicts of interest:** the board has clear policies and procedures for its members to identify, declare, record and manage any actual, potential and perceived conflicts of interest.
  - (1) There is a publicly available register for declaration of interests which is reported on at least once a year to the board.
  - (2) Where there is a material conflict of interest, any individual concerned withdraws from the board's discussions or decisions on relevant matters.
  - (3) In the case of a fundamental or ongoing material conflict the board determines whether the person concerned should cease to be a board member.
- 1.7. **Accountability:** the board operates openly and transparently, and demonstrates accountability to key stakeholders including residents, other customers, partner statutory bodies, and its workforce.
  - (1) The board publishes an annual report of the organisation's activities, performance and plans for future improvements which is accessible to its key stakeholders, and covers the matters referred to in this code.

---

<sup>4</sup> See 2.5 (2) on workforce matters and organisational culture.

- (2) The organisation systematically identifies and regularly communicates with its key stakeholders and receives feedback about their views. In doing so it has regard to the communication needs of the diverse groups and communities it serves.
- (3) Opportunities and information are provided for residents and other customers independently to scrutinise the work of the organisation and to hold it to account, and the board reviews these at least every three years to ensure that they remain fit for purpose.
- (4) The board has mechanisms for regular consultation and engagement with the organisation's workforce, so that their views and needs can be understood, and can influence the board's decisions.
- (5) The organisation publishes clear and up to date information about its board members, committees and governance.
- (6) The organisation responds in a considered, open and transparent way to requests for information about its work, activities, and decisions made by the board; where it cannot provide certain information, it gives clear reasons as to why this is the case.
- (7) Organisations with shareholders publish their policy for admission of shareholders, and the role of shareholders in the organisation's governance.

- 1.8. **Reputation and trust:** the board takes into account in its actions and decisions the importance of maintaining trust in the organisation, and promoting its reputation and that of housing associations more generally with all external stakeholders and the wider communities it serves.

## Principle 2 – Strategy and delivery

The board sets the organisation's plans and strategies and exercises demonstrable and effective oversight of their delivery.

### Compliance: from principle to practice

- 2.1. **Strategy, resources and plans:** the board sets the organisation's overall direction and strategy in line with its charitable, community benefit or other constitutional purposes.
- (1) The board sets financial and strategic plans to ensure that the organisation has the resources it needs to deliver its strategies.
  - (2) The board has policies on and considers financial, environmental and social sustainability in setting such plans.

- 2.2. **Structures:** staffing and governance structures support the delivery of the organisation's social purpose and strategic objectives.
- (1) Structures are designed to support effective delivery and oversight of strategy, are clearly set out, and are from time to time reviewed to ensure they remain fit for purpose.
  - (2) The board considers from time to time whether the organisation's purpose could be better achieved through changes to its group, governance or staffing structures.
- 2.3. **Collaboration:** the board has, and reviews from time to time, a strategy for active cooperation, collaboration, joint working or formal partnership with other organisations, so as to deliver its social purpose and strategies more effectively and economically.
- 2.4. **The chief executive:** the organisation has a chief executive with the delegated authority to oversee and manage operational delivery of the strategies set by the board.
- (1) The responsibilities of and delegations to the chief executive are clearly set out.
  - (2) The chief executive has a formal contract of employment; this and the remuneration under it are reviewed at least every three years, with independent advice as required.
  - (3) The chief executive's remuneration package is set at a level which is proportionate to the organisation's size, complexity, level of risk, and resources; it is also aligned with the organisation's social purpose and wider reputation.
  - (4) If the chief executive's contract is to be terminated, any extra-contractual severance payments or benefits are approved by the board with the reasons, costs and any reputational risks clearly minuted.
  - (5) The board delegates to a non-executive committee or panel the chief executive's annual appraisal and setting of any targets or objectives.
  - (6) The chief executive's remuneration is disclosed in the financial statements.
- 2.5. **Workforce:** the board ensures workforce policies and practices support the success of the organisation and reflect its values and its commitments to resident focus and to equality, diversity and inclusion as set out in this code.
- (1) The board ensures that all members of the workforce have access to opportunities for learning and development, and that a budget is set for investing in such activity.

- (2) The board at least annually receives a report on organisational culture and whether it is aligned with the organisation's mission and values; where required it seeks assurance that any necessary corrective action has been taken.
- (3) The board determines a framework for remuneration of the workforce which is aligned to the organisation's size and complexity, and to its purpose and values.
- (4) The board has policies on the safety and wellbeing of its workforce and receives regular reports on their operation.
- (5) The board at least annually reports to the workforce and other stakeholders about its work and plans as set out in this paragraph.

2.6. **Performance:** the board has demonstrable oversight of the organisation's performance.

- (1) The board exercises active and regular oversight of delivery of strategies and plans. This includes scrutinising key operational and financial performance information, and information concerning resident insights and satisfaction.
- (2) The board has good assurance that the reports it receives provide an accurate picture of performance.

2.7. **Group structures:** organisations with subsidiaries ensure that these entities support and enhance delivery of the group parent's mission.

- (1) Where the group parent is not a registered provider, formal arrangements are in place to ensure that any registered provider subsidiaries remain compliant with their own charitable or community benefit purposes, and with regulatory requirements.
- (2) Where a subsidiary is to be or has been established, the benefits, risks and relationship are reviewed by the board of the parent beforehand and thereafter at least annually.
- (3) The board of a parent organisation in a group structure has the responsibility and the reserve powers to direct, and if necessary intervene in the governance of its subsidiaries.
- (4) The constitutional relationship and arrangements between parent and each subsidiary including how oversight and control will be exercised, are formally documented.
- (5) The board of the parent approves the group's plans and budgets, and holds the board of each subsidiary accountable for delivery of its objectives.



- (6) The board of the parent determines how and whether this code should apply to each of its subsidiaries. Where it is decided that this code should not apply, there is a statement of the reasons for this and of which code has been adopted.
- (7) Where, within a group, there are people who serve on more than one board, there is guidance and documentation to set out how board members must deal with their overlapping responsibilities and any resulting conflicts of interest.
- (8) Where there is a board within a group responsible for more than one organisation, with the same or very similar board membership<sup>5</sup>, there are policies that set out how such board meetings will be conducted, serviced and minuted.

2.8. **Joint ventures and partnerships:** organisations that set up joint ventures or partnership vehicles with external counterparties ensure that these are in support of their mission and objectives<sup>6</sup>. There are formal documented arrangements concerning the accountability, performance, compliance, risk management and governance of such entities. The benefits and risks of such entities are reviewed at least annually.

## Principle 3 – Board effectiveness

The organisation is led by a skilled and diverse board which regularly reviews and capably manages its own performance and effectiveness, and ensures that it complies with this code.

### Compliance: from principle to practice

- 3.1. **Role of the board:** the statutory and governance roles and responsibilities of the board, of its individual members, office holders and of others who work to the board are clearly set out.
  - (1) The board elects a chair with appropriate skills to be responsible for leading the board and ensuring its effectiveness.
  - (2) The chair of the board does not chair and is not a member of the committee responsible for audit, nor does the chair of the board chair the committee responsible for remuneration.

---

<sup>5</sup> Sometimes referred to as 'common boards'.

<sup>6</sup> See also 2.3 concerning external collaboration.

- (3) Where there are executive board members, the board formally records and publishes policies about the role they play on the board and committees, and makes clear those matters for which they must leave the meeting, or not participate in debate or decision-making.
- (4) The roles of chair of the board and committees (and vice-chair or senior independent director if appointed) are not held by an executive.
- (5) Executives are not members of the committees responsible for nominations, remuneration or audit.
- (6) There is a clear published framework setting out delegations to staff, committees and subsidiaries, which is reviewed regularly.

**3.2. Functions of the board:** there is a record of the essential functions and other matters which are reserved for board decision and cannot be delegated. In addition to matters set out in law, statute, regulations and in the organisation's constitution these include as a minimum:

- (1) The matters set out under principle 1 of this code.
- (2) Ensuring the organisation operates effectively, efficiently and economically, with a culture that is positive, and focused on the needs of residents and other customers and stakeholders.
- (3) Providing oversight, direction and constructive challenge to the organisation's chief executive and other executives.
- (4) The appointment and, if necessary, the dismissal of the chief executive.
- (5) Satisfying itself as to the integrity of financial information, and setting and approving each year's budget, business plan and annual accounts prior to publication.
- (6) Establishing, overseeing and regularly reviewing a published framework of delegations to committees and staff.
- (7) Establishing and overseeing control and risk management frameworks in order to safeguard the assets, compliance and reputation of the organisation.
- (8) Holding to account the organisation's committees and staff for the exercise of any powers delegated to them.

**3.3. Board composition:** the board members have the attributes and time needed to govern effectively, and each member exercises independent judgement in doing so.

- (1) The organisation determines, documents and regularly reviews the board composition best suited to its needs; in the case of a group subsidiary, this may be a matter for the group parent.

- (2) The board has between five and 12 members, including any co-optees and executive members.
- (3) Executive board members, if appointed, are in a minority on the board and in the quorum for a board meeting.
- (4) There is a senior independent director or vice-chair with duties that include the appraisal of the chair, and assisting the chair to ensure the effectiveness of the board.

**3.4. Board election, selection and appointment:** the board has a diverse membership with the collective skills and attributes needed to govern effectively. This area is normally overseen by a committee responsible for nominations.

- (1) The board understands, states and regularly reviews the collective skills and attributes it requires to be effective.
- (2) Appointed board and committee members undergo an open and merit-based assessment process to establish their suitability.
- (3) The membership of board and committees comprises people with diverse backgrounds and attributes in line with the organisation's stated commitments to equality, diversity and inclusion.
- (4) People with direct lived experience of (or particular insight into) the communities served by the organisation are represented in board or committee structures.
- (5) Where the organisation's constitution provides for one or more board members to be nominated by an external body, or directly elected, the organisation ensures that those coming forward have the necessary attributes and qualities, and that they are aware of the responsibilities of the role, including those of exercising independent judgement.
- (6) Where board members are elected by a shareholding membership, the shareholders are supported and informed to play their proper constitutional role in the election of board members.
- (7) The organisation's annual report includes information about the appointment of new board members, and about the diversity, skills and attributes of all the board members.

**3.5. Committees:** committees are established where the board determines that they will enable it to exercise more effective scrutiny, control or oversight of particular areas of the organisation's activity.

- (1) Each committee has formally recorded terms of reference approved by the board, and reports regularly to the board on its work and the exercise of any delegated authority.

- (2) The membership of committees is determined on the basis of the skills, attributes and diverse characteristics which the board determines are appropriate.
- (3) In a group structure, committees may be group committees, or specifically for one organisation within the group.

3.6. **Board remuneration:** organisations paying non-executive board members have an objective mechanism for setting payment levels. This will normally be the responsibility of a committee responsible for remuneration, using independent advice. Such payment is:

- (1) Permitted by law and by the organisation's own constitution.
- (2) Agreed by the board as being in the best interests of the organisation.
- (3) Aligned with the organisation's social purpose and wider reputation.
- (4) Proportionate to the organisation's size, complexity, level of risk, and resources.
- (5) Linked to the role's responsibilities, against which performance is reviewed.
- (6) Disclosed in the organisation's annual financial statements.

3.7. **Tenure and renewal:** tenure for non-executives (and other independent committee members) complies with the organisation's constitution and is normally up to a maximum tenure of six consecutive years (typically comprising two terms of office) across all of the organisation's boards and committees, and those of predecessor organisations.

- (1) The board has a strategy for its own renewal which is based on an agreed statement of the skills, qualifications, diversity and other attributes required.
- (2) Where a member is at the end of a term of office and is eligible for reappointment, this is subject to considering the member's appraised performance and skills, and the needs of the board.
- (3) Where a member has served six years, and the board agrees that is in the organisation's best interest, their term may be extended up to a maximum of nine years, to be reviewed annually.
- (4) A member who has left the board is not re-appointed for at least one term of office.

3.8. **Conduct of business:** the board and its committees conduct their business efficiently, and on the basis of an appropriate level and quality of information.

- (1) The board has appointed (and is responsible for the removal of) a company secretary who is accessible to all board

and committee members and accountable to the board for advising on governance matters.

- (2) Board and committee meetings are quorate.
- (3) Scheduled board and committee meetings are based on agendas and documents circulated well in advance. Decisions and the main reasons for them are recorded in the minutes.
- (4) Urgent decisions between board meetings are taken in accordance with predetermined and formally recorded arrangements.
- (5) Meetings are fully inclusive and accessible, with adjustments made as necessary so that all members are able to attend and participate.
- (6) Where meetings are conducted remotely, arrangements are made and support provided so that all members can fully participate and contribute.
- (7) There is a policy and procedure setting out how disputes and grievances involving members of the board can be raised and are responded to.

**3.9. Board appraisal, review and learning:** the board regularly reviews and seeks to improve its performance.

- (1) All boards and committees consider their effectiveness annually and assess how they conduct their business, including their:
  - a. Composition, skills, experience and diversity.
  - b. Effectiveness in role-modelling the desired culture, values and behaviours of the organisation.
  - c. Governing instruments, delegations, regulations, standing orders, structures, systems and other formal documentation as referred to in this code.
  - d. Timing and frequency of meetings.
  - e. Format of agendas, quality and scope of papers, minutes and communications.
  - f. Effectiveness of decision-making, including how the views and needs of key stakeholders including residents, other customers and the workforce have informed decisions.
  - g. Compliance with this code and legal duties.
- (2) There is a formal independent review of these matters at least every three years.
- (3) All new board and committee members receive a full induction and all members have an agreed programme of ongoing learning and development opportunities, including to address needs identified through the appraisal process.

- (4) A full, rigorous appraisal process for the individual members of the board and its committees, including the chairs, is carried out at least every two years.
- (5) The appraisal of the board's chair is led by a senior board member, informed by the views of all board members.
- (6) There is a robust process for responding to under-performance by individual board members, and to any conduct which may breach policies or codes.

3.10. **Compliance with this code:** a compliance statement is published with the annual report, with an explanation given for any non-compliance.

- (1) Where the formal constitution of an organisation conflicts with the code, the constitution takes precedence.
- (2) Where a statement of non-compliance is needed it sets out:
  - a. The reasons for non-compliance, and an explanation of how the relevant principle in this code is being upheld.
  - b. Summary plans for the achievement of compliance, if applicable.
- (3) Where an organisation has subsidiaries or is part of a joint venture which has not adopted this code, the reasons for this are given.<sup>7</sup>
- (4) All policies, documents and statements referred to in this code are formally recorded as appropriate and are reviewed according to an agreed timetable at least every three years.

## Principle 4 – Control and assurance

The board actively manages the risks faced by the organisation, and obtains robust assurance that controls are effective, and that plans and compliance obligations are being delivered.

### Compliance: from principle to practice

- 4.1. **Audit:** the board has formal and transparent arrangements ensuring that the organisation is financially viable and maintains both a sound system of internal audit and controls and an appropriate relationship with its external auditors.

---

<sup>7</sup> See also 2.7 on group structures.

- (1) The board can have confidence in the information it receives and there are robust internal controls and systems for business and control assurance in place which are reviewed annually.
- (2) There is a committee primarily responsible for audit, and arrangements for effective internal control assurance and audit functions. In a group, this committee is a group committee.
- (3) The organisation's external auditors are independent and effective, and their appointment is reviewed at least every six years.

4.2. **Audit committee:** a committee exercises independent scrutiny and challenge to provide the board with assurance.

- (1) The committee responsible for audit meets regularly and its minutes are available to the board.
- (2) The committee exercises oversight of the internal and external audit functions.
- (3) The committee meets with the external auditors with only non-executives present at least once a year.
- (4) The chair of the committee is a member of the board and regularly reports to it.
- (5) The membership of the committee includes people with recent and relevant financial experience, proportionate to the size and complexity of the organisation, including that of working with auditors.

4.3. **Risk:** the board retains ultimate responsibility for risk management, and ensures that appropriate risk management arrangements are in place.

- (1) The board may delegate the detailed scrutiny and evaluation of risk to a committee.
- (2) The board has a suitable risk management framework in place; it understands the organisation's risk profile and the effectiveness of key controls.
- (3) The board establishes and documents its appetite for the risks the organisation faces in pursuit of its strategy.
- (4) The board ensures that the organisation is resilient to the risks it may face, with appropriate mitigations and a robust, tested and up-to-date business continuity plan.
- (5) The board includes members with skills and experience appropriate to the level and type of risks faced by the organisation.
- (6) The board regularly reviews the risks the organisation faces and how they are being managed; this includes the risks associated with activities carried out by subsidiaries or partnership vehicles.



- (7) The board regularly participates in robust stress-testing of its plans to identify the risks (or combination of risks) that may pose a material threat to the business and ensure that appropriate mitigations are in place.
- (8) The organisation's annual report includes a statement about the risk management work of the board.

4.4. **Compliance:** in line with its mission and values, the board retains ultimate responsibility for the organisation's compliance with all legal, statutory, regulatory and constitutional requirements.

- (1) The board has a robust internal control framework and has regular assurance about the effectiveness of key controls including controls to ensure compliance.
- (2) The board has regular assurance about compliance, including those requirements relating to the health and safety of residents, other customers and employees, and to the safeguarding of vulnerable people.
- (3) The board publishes an annual statement setting out its approach to compliance and internal control.

4.5. **Confidential concerns:** there are clear and well-publicised arrangements for members of staff and others associated with the organisation to raise confidential concerns with a designated member of the board (other than the chair), and for these to be dealt with through proportionate and independent investigation as necessary.

- (1) The board (or the committee responsible for audit) regularly receives an account of such concerns raised, and actions taken in response.
- (2) If a board member has concerns about the board or the organisation that cannot be resolved, these concerns are shared with the board and formally recorded.