



DERBY HOMES LIMITED GOVERNANCE COMMITTEE MEETING

**Thursday 3 November at 5.30 pm
Board Room London Road/Via Teams**

AGENDA

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1. Apologies	
2. Admission of late items (if any)	
3. Declarations of Interest – <i>please refer to advice at the end of this agenda</i>	
4. Minutes of the meeting held on 1 September 2022	1
5. Matters arising	
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9. Date and time of next meeting – Thursday 20 April 2023 (TBC)	

DECLARATIONS OF INTEREST

All Board Members have a duty to act in the best interest of Derby Homes when they make decisions at Board or Committee meetings. Board Members must not generally put themselves in a position where there is a conflict between their personal interests and the duty they owe Derby Homes.

Derby Homes' Governance Arrangements requires Board Members to declare any interest they may have in a matter before it is discussed

The declaration of 'the usual' interests covers the interests of councillors on matters relating to Derby City Council and the interests of tenants and leaseholders on matters relating to their interests as tenants and leaseholders of Derby City Council and customers of Derby Homes.

If at the beginning or during the meeting you realise that an item you are discussing directly affects you, your family or persons known to you then you should declare your interest straight away.

The general rule is that you should not remain present during the discussion of the matter in which you have a business or personal interest unless the other Board Members agree otherwise. You are not allowed to vote on the matter.

Any question arising at a meeting as to the eligibility of a Member to vote may be referred to the Chair before the conclusion of the meeting and the Chair's decision (other than in relation to him/herself) shall be final and conclusive.

You are welcome to raise and discuss any doubts you may have about a declaration of interest at any time by contacting the Company Secretary direct.

FIRE EVACUATION PROCEDURE

No fire drills are scheduled.

Action on discovering a fire

1. Raise the alarm by operating one of the manual call points.
2. Leave by the nearest available exit to the assembly point on the grass next to the staff canteen.

Action on hearing the alarm

1. Do not stop to collect personal belongings.
2. Close windows and doors if it does not cause undue delay.
3. Escort any visitors and leave by the nearest available exit and go to the assembly point on the grass next to the staff canteen.
3. Check that someone has called the fire service by dialing 999.
4. Do not return to the building until given the all clear by the fire service.

DERBY HOMES LIMITED

MINUTES OF THE GOVERNANCE COMMITTEE MEETING

Held on Thursday 1 September 2022

The meeting started at 5.30 pm

Board Members Present:

Jsan Shepherd (Chair) Mike Ainsley, Councillor Lucy Care, Councillor Shiraz Khan, Iain MacDonald, Councillor Jerry Pearce and Bob MacDonald.

Officers Present:

Michael Kirk, Finance Director and Company Secretary
Taranjit Lalia, Head of Governance and Corporate Services – Company Solicitor
Louise Paget, Governance Officer

22/7 Apologies

Apologies were received for absence from Jenn Layton-Annable.

22/8 Admission of Late Items

There were no late items.

22/9 Declarations of Interests

The Council Board Members were noted as declaring their interest in matters relating to Derby City Council.

The Tenant Board Member declared their interest as a tenant (as defined in the Memorandum and Articles of Association) of Derby City Council.

22/10 Minutes of Previous Meeting

The minutes of the meeting held on the 21 April 2022 were accepted as a correct record.

22/11 Matters Arising

21/20 update

The Board Member remuneration has been processed through payroll. The Finance Director has had approval from Rachel North to increase Derby Homes' Board Member pay to fall in line with Derby City Council and for future increases to fall in line with pay awards. A further update will be given when the 2022/23 figure has been agreed.

22/12 Rule of 85 Declined Applications

The Committee considered the report of the Interim Finance Director which gave an update Rule of 85 applications that have been declined.

At the Governance Committee meeting on 21 September 2020 a Rule of 85 application was agreed by the Committee and it was suggested that a report should be brought back every six months of cases where applications had been declined.

Since the meeting of this Committee on 21 April 2022, there has been one application which was refused on the grounds that there was no business case to support the request. The employee subsequently resigned, and Derby Homes are in the process of recruiting to the vacant post. There have been no other applications received or approved.

Agreed

The Governance Committee noted the report.

22/13 Mutual Benefits of flexible retirement

This report has been prepared at the request of the Governance Committee to outline the mutual benefits of flexible retirement.

The Policy allows that any employee over the age of 55 can request Flexible Retirement. In considering a request there has to be benefits for the organisation and the needs of the service are paramount.

Agreed

The Governance Committee noted the report and were supportive of the flexible retirement concept.

22/14 Leaving Employment Policy Update

The Governance Committee at their meeting of 12 November 2020, updated the triannual review of the Leaving Employment Policy.

This report proposes a minor addition to the policy, in advance of its planned full review in November 2023. Specifically in relation to how the

payment of back pay on delayed pay rises to employees who have left the organisation is administered.

The Governance Committee raised concerns about the outstanding pay reward. Derby Homes confirmed that written requests for back pay will be honoured prior to 1 September 2022. However, leavers after this date will not be entitled to the backpay. Derby Homes are legally not obliged to grant the back pay when an employee's contract has ended.

Derby Homes have not consulted with the Trade Unions however, Derby City Council have already implemented this.

Agreed

The Governance Committee approved:

- To add into the Leaving Employment policy that upon the ending of employment with Derby Homes, the employee ends any entitlement to any pending pay award.
- To apply the amendment, immediately from 1 September 2022.

The Governance Committee noted if at the date of leaving, the employee is employed on NJC terms and conditions, following a TUPE transfer. If so, then these terms and conditions will override the Derby Homes policy. If the NJC terms and condition are silent on this back pay, then the Derby Homes policy will apply.

Date and time of next meeting: Thursday 3 November 2022, 5:30pm

The meeting ended at 5:53

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CHAIR

Signed as true and accurate record of the meeting held on 1 September 2022

Action Monitoring Status

ITEM 6

Governance Meeting – Thursday 3 November 2022

Date of action	Minute reference	Action	Lead	Due	Status
21/04/2022	22/5	Requested that future reports of Rule 85 Declined applications should include the number of applications that have been approved.	MK	01/09/2022	Completed
21/04/2022	22/6	Derby Homes to check if Board Members eligible to join the pension scheme and to check if there is a pro-rotta amount for the threshold of the AVC scheme.	MK	01/09/2022	
01/09/2022	22/11	A further update will be given when the 2022/23 figure has been agreed. (Board Member Remuneration)	MK		To be completed

RULE OF 85 APPLICATIONS

Report of the Finance Director & Company Secretary

1. SUMMARY

- 1.1 This report updates Governance Committee on Rule of 85 applications that have been approved and declined since the last meeting on 1 September 2022.

2. RECOMMENDATION

- 2.1 To note the report.

3. REASON FOR RECOMMENDATION

- 3.1 In accordance with Minute 20/08 to bring a 6 monthly report on applications that have been approved and declined.

4. MATTER FOR CONSIDERATION

- 4.1 The Employer Pension Discretions Policy was approved on 30 May 2019 and updated at the 21 April 2022 meeting.

Governance Committee approval if required where Rule of 85 requests are made and there is a cost to Derby Homes. The general position is that “Derby Homes will not normally exercise this discretion but may consider it under exceptional circumstances, taking into account the business case and foreseeable costs to the employer.”

- 4.2 Rule of 85 date applies when the employees age plus LGPS membership in whole years equals 85. This becomes effective between ages 60 and 65 unless an employer decides to allow it to be between 55 and 60. It enables the pre 2008 service to be awarded without deduction of an early retirement penalty.

For requests when the employee is aged between 55 and 60 there would be a cost to Derby Homes to meet any pension shortfall.

- 4.3 At the Governance Committee meeting on 21 September 2020, it was agreed to report cases to the Governance Committee where applications had been declined by management. Subsequently, the Committee asked to be kept informed on any application approved or declined.

- 4.4 Since the last meeting on 1 September, there have been no applications received. Hence, no applications have either been approved or declined.

5. OTHER OPTIONS CONSIDERED

5.1 None.

IMPLICATIONS

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

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

For more information please contact:

Michael Kirk / Finance Director & Company Secretary / 01332 888703 / Email
michael.kirk@derbyhomes.org

Background information: Reports to Governance Committee (21/9/20) & Derby Homes Board 30/5/2019

List of appendices None

This report has been approved by the following

Finance Director & Company Secretary	Michael Kirk	17.10.2022
Managing Director	Maria Murphy	25.10.2022

REGULATOR OF SOCIAL HOUSING & NATIONAL HOUSING FEDERATION GOVERNANCE COMPLIANCE

Report of the Finance Director & Company Secretary

1. SUMMARY

- 1.1. The Regulator of Social Housing (RSH) requires the Board to make a positive statement of its compliance with its standards on governance through a self-assessment, as part of the Governance and Viability Standard to which Registered Providers (RPs) must adhere. This year's self-assessment is attached at **APPENDIX 1**.
- 1.2. The RSH Standard, is enhanced by a Code of Practice that gives guidance on how RPs can demonstrate that the standard is met.
- 1.3. The Board adopted the National Housing Federation (NHF) Code of Governance 2020. Section 3.11 of the NHF Code requires a compliance statement to be published with the annual report, with an explanation given for any non-compliance with the Code of Governance.
- 1.4. Many of the provisions of these two requirements overlap. This report sets out the self-assessed annual review of Derby Homes' position with respect to each.
- 1.5. The overall conclusions of the self-assessments are that Derby Homes complies with the RSH Governance and Viability standard and complies with the NHF Code of Governance 2020, albeit with a number of declared 'non-compliances' with reasoned explanations for the NHF code. This is permitted by the Code itself, especially where the Constitution overrides the approach suggested by the Code. The non-compliances to the NHF 2020 Code are explained in **Appendix 2**.

2. RECOMMENDATION

- 2.1. That the Governance Committee recommends to the Board that it makes the following statements in its 2021/22 accounts with respect to these reviews:

"In its view, Derby Homes Board complies with the RSH Governance & Viability standard" as set out in the attached detailed Appendix.

and

“In its view, Derby Homes Board complies with the NHF Code of Governance 2020, albeit the Board recognises three areas of declared non-compliance as detailed in section 4.5.

- 2.2. The Governance Committee recommends to Board, that the annual declaration of interests register for Board Members is made a public document on CMIS, rather than confidential.
- 2.3. The Governance Committee recommends to Board, that a link to the annual declaration of interests is added to the Board Members profile on the Derby Homes website.

3. REASON FOR RECOMMENDATION

- 3.1. In order to comply with the RSH’s regulatory requirements and NHF Code of Governance.

4. MATTER FOR CONSIDERATION

RSH Governance and Viability Standard

- 4.1. A copy of the standard is attached at **APPENDIX 3**.
- 4.2. The self-assessment concludes that Derby Homes is compliant in all these areas. The detailed reasons for this are set out in the appendix. There are further standards that do not apply at present as we are neither a parent company nor a ‘for profit’ RP.

National Housing Federation (NHF) Code of Governance 2020

- 4.3. A copy of the standard is attached at **APPENDIX 4**.
- 4.4. Outcome 2.1 of the RSH Standard is to adopt an appropriate Code of Governance. Derby Homes has adopted the NHF Code 2020.
- 4.5. The annual review has concluded that Derby Homes complies with the code, bar three areas, these being:

Area 1

3.7(3) Maximum tenure will normally be up to six consecutive years (typically comprising two terms of office), but where a member has served six years, and the board agrees that it is in the organisation’s best interests, their tenure may be extended up to a maximum of nine years.

The Derby Homes constitution limits the terms nine years in line previous code, however, allows for further extension with broad approval. This has been a consistent noncompliance with the previous NHF code and also will remain so

with this one. The board's view is that the six years is too short for a maximum tenure and nine years would remain. The provision of open recruitment competition at each three-year cycle is sufficient to ensure that membership is set for the organisation's best interests. With a limited membership and with thirds from tenants, councillors and independent board members longer periods up to nine years and sometimes beyond are beneficial in maintaining the appropriate skills mix.

Area 2

3.7(4) A member who has left the board is not re-appointed for at least three years

The council has the right to appoint members on annual basis. It would be possible for member to leave the board one year and returned the next whilst assist while this hasn't happened it could.

Area 3

3.7(5) These provisions concerning tenure apply to office held across all of the organisation's boards and committees, and those of predecessor organisations, including service as a co-optee.

Dennis Rees OBE has been appointed on a lifetime basis to the Operational Board to reflect his long service and extensive knowledge of both Derby Homes and the housing sector

4.6. Non-Compliances to be declared in relation to the NHF Code for 2021-22.

As listed in section 4.5 above.

4.7. Transparency around declaration of interests

Transparency of Board Members declared interests could be extended by:

1. Making the annual report on Board Members declared interests a public document on CMIS rather than a confidential one.

And

2. Providing a link to the Board Members declared interest report within the profile description on the main Derby Homes website

5. OTHER OPTIONS CONSIDERED

None

6. CONSULTATIONS IMPLICATIONS

- 6.1. It is for the Council to determine Councillor Board Membership.

7. COUNCIL

7.1. It is for the Council to determine Councillor Board Membership.

8. LEGAL AND CONFIDENTIALITY IMPLICATIONS

8.1. It is not a legal requirement to comply with the RSH Standards, but it is a regulatory requirement to sustain Derby Homes' Registered Provider (RP) status. It is believed that we meet the Governance and Viability standard in full.

9. RISK IMPLICATIONS

9.1. Derby Homes is a Registered Provider of Social Housing and is required to comply with the Governance and Viability framework of the RSH. Any non-compliance would lead to an increased risk of losing our Investment Partner or RP status.

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

Financial and Business Plan
Personnel
Environmental
Equalities Impact Assessment
Health and Safety
Policy Review

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

Taranjit Lalria / Head of Governance and Corporate Services / 01332 888 608 / Taranjit.lalria@derbyhomes.org

Background Information Appendix 1 – RSH G&V checklist
Appendix 2 – NHF Code 2020 Checklist

Supporting Information Appendix 3 – RSH Governance and Viability Standard and code of practice
Appendix 4 – NHF Code of Governance 2020

This report has been approved by the following officers:

Managing Director	Maria Murphy	25/10/2022
Finance Director	Michael Kirk	19/10/2022
Company Solicitor	Taranjit Lalria	18/10/2022

Derby Homes – Self Assessment from 1 April 2021 to 31 March 2022 on the Regulator of Social Housing's (RSH) Governance & Financial Viability Standard Code of Practice

This is the seventh annual self-assessment of Derby Homes' compliance with the RSH Governance and Financial Viability Standard.

This code of practice is designed to assist Registered Providers (RP) understand what the Regulator of Social Housing (RSH) is looking for when seeking assurances from RP Boards on compliance with the standard.

The RSH has adopted the Homes England guidance within the Code of Practice on both the high-level obligations on RP's and specific expectations. These are considered individually in the tables below, with an assessment on how Derby Homes complies with such obligations and where, if applicable, further assurances are required.

The standard sets out outcomes that need to be demonstrated or reasons for non-compliance explained. The highlighted sections below are the standard with which Derby Homes is expected to comply. The other sections are the guidance given by the Code of Practice and our compliance position with relevant explanations.

Required Outcomes 1.1 - Governance	
<p>The standard is: Registered providers shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. Governance arrangements shall ensure registered providers:</p> <ul style="list-style-type: none"> a) adhere to all relevant law b) comply with their governing documents and all regulatory requirements c) are accountable to tenants, the regulator and relevant stakeholders d) safeguard taxpayers' interests and the reputation of the sector e) have an effective risk management and internal controls assurance framework f) protect social housing assets. 	
Code of Practice Guidance Paragraph 1.1	
6 (NB 1-5 are introductory)	The required outcome for governance ensures the delivery of a registered provider's objectives, including being responsible holders and stewards of social housing assets. The regulator considers the reference to compliance with 'all relevant law' in the first bullet point encompasses legislation (including secondary legislation), and common law. In ensuring compliance registered providers should have regard to relevant statutory guidance. To meet the required outcome on adherence to all relevant law boards should take reasonable measures to assure themselves of their compliance.
7	(d) concerns reputation. Reputation is key in maintaining confidence in the sector. The social housing sector has benefited from being part of a regulated sector with low lending rates combined with the

	availability of public investment. Registered Providers should ensure that they manage their businesses and their risks in such a way that they do not negatively impact on the reputation of the sector.
Derby Homes Position on 1.1 – Compliant	
<p>a) Adhere to all relevant law – the Board takes reasonable measures to assure itself of compliance including:</p> <ul style="list-style-type: none"> • appointment of non-executive directors with specific expertise required by the Board: Derby Homes undertakes a gap analysis by using a Board Member Skills matrix; appointment and retention of a very experienced and effective management team. • an internal audit programme agreed and reviewed by the Audit Committee. • risk map highlighting potential impact on changes in legislation, case law etc. Derby Homes has both an Operational and Strategic Register. • review of policies to ensure compliance with current legislation in accordance with Derby Homes policy review process • Health and Safety Compliance reporting has been reviewed to ensure all actions are formally recorded and remain compliant. <p>b) Complies with its governing documents and all regulatory requirements – the Board gains assurance of compliance with these through a regular review of governance undertaken by the Governance Committee with recommendations to Board and a regular review of compliance with regulatory standards undertaken by the Governance Committee on behalf of and reporting to the Board for final approval. This document is that review.</p> <p>c) Is accountable to tenants, the Regulator and relevant stakeholders – Derby Homes is accountable to:</p> <ul style="list-style-type: none"> • Tenants – directly through the work of the Customer Voice, virtual panel, and the Operational Board (tenant majority membership), who report directly to the Board, through consultation with residents’ organisations and through a third of the Board being tenants. • The Regulator – through timely submission of data and information. • Relevant stakeholders – this is principally Derby City Council as sole owner of Derby Homes. <p>d) Safeguard taxpayers’ interests and the reputation of the sector – Derby Homes achieves these aims through:</p> <ul style="list-style-type: none"> • A rigorous approach to achieving value for money as set out in our value for money statement and policy. • Robust arrangements for internal and external audit. • Adherence to a strong set of organisational values. • Adoption and compliance with best practice in governance (The NHF Code of Governance 2020 and a Code of Conduct have been adopted). <p>e) Have an effective risk management and internal controls assurance framework – Derby Homes has a comprehensive risk register which is reviewed annually by the Audit Committee and monitored quarterly. The Board review high level and emerging risks. Derby Homes also helps</p>	

Derby City Council with the preparation of a HRA Risk Register on a similar basis. Internal controls assurance is reported annually to the Board as part of the assurance framework for the annual accounts.	
f) protect social housing assets Derby Homes has no plans to sell any of its homes and intends to expand the number of homes it provides for local people.	
Section 1.1 Recommendations for Improvement	
1 Continue to review Governance arrangements on a regular basis.	
Required Outcomes: 1.2 Financial Viability	
Registered providers shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk.	
Code of Practice Paragraph 1.2	
8	Registered providers should take all such steps as are reasonably necessary to ensure that any activities they undertake do not place social housing assets, activities relating to the provision of social housing or their own financial viability at undue risk. The regulator recognises that registered providers should have the flexibility to consider risks in light of their individual circumstances. Boards of registered providers have the responsibility to satisfy themselves and provide assurance to the regulator that: <ul style="list-style-type: none"> • they have considered the requirement appropriately in relation to their own external and internal operating environment • they are satisfied they will comply with regulatory requirements now and in the foreseeable future
9	Examples of what the regulator considers to be unacceptable outcomes resulting from social housing assets being put at undue risk are outlined below. These examples are not intended to be exhaustive but rather to give context to registered providers in considering the risks within their business: <ul style="list-style-type: none"> • loss of social housing assets and/or tenants losing their home or the benefits of being within a regulated sector due to lenders or others enforcing their security or insolvency • loss of social housing assets where the sale of those assets is the result of poor business planning and decisions or where the reason for the sale is to make good an unplanned cash shortfall
10	The regulator recognises every business decision will carry risk and sometimes those risks will crystallise. There is, however, a difference between managed risk and uncontrolled loss. The regulator expects boards to manage the business to promote the former and avoid the latter. In addition, the regulator does not intend that all social housing assets should remain in the sector for ever. However, the value in the assets should not be lost to the sector. Under the Value for Money

	Standard, registered providers are expected to consider how to make best use of their assets.
Derby Homes Compliance Position - Compliant	
Derby Homes manages its resources effectively as evidenced through the annual budget setting process, long term financial business plan and partnership working with Derby City Council.	
<p>Annual Budget Process – following a period of consultation a minimum three-year budget is approved by the Board each year. This demonstrates an approved medium-term plan – maintaining and growing the company’s balance sheet while developing new homes in line with targets.</p> <p>Long Term Business Plan. This involves assessing the going concern of the company and undertaking a “stress test” on the cashflow of the company to test if the company could withstand a sudden drop in income / additional expenditure. Alongside this is consideration by the Board on an annual basis for its priorities on how and where the company reserves should be invested and the level of reserves to be retained as contingencies. This position is considered by Board at least annually. Such an example could be a material change to the Rent Standard, necessitating the HRA to review the base management fee to Derby Homes.</p> <p>The risk on loans is minimised by the loan deals secured only with our 100% owner, Derby City Council (fixed rate interest, with no covenants, full loan repayment only in the event of payment default, long term repayment plan with no periodic review)</p> <p>Internal and external audit provide control assurance to the Audit Committee and the Board with an internal controls statement.</p> <p>Risk Identification All reports to Board and Audit Committee requiring approval include the identification of potential risks and strategies to mitigate any such risks. Risks are recorded in the Derby Homes Strategic and Operational Risk Register. This is subject to annual review by the Senior Management Team, Audit Committee and the Board.</p> <p>There are periodic updates of the Risk Register sent through to the Board during the year based on updates prepared by the relevant Head of Service / Director.</p> <p>Sale of Social Housing Assets Although this technically is an option for Derby Homes, there is no short- or medium-term intention to sell existing owned properties. Based on the stock condition, current level of voids and underlying financial performance it is not anticipated that sales of our own property will be necessary or represent value for money.</p> <p>If tenants exercise their existing Right to Acquire (where applicable) then - all proceeds from these plus any compensation received from Government will be fed back into the delivery of new social/affordable housing.</p> <p>Derby Homes has no control over the sale under Right to Buy legislation of the stock it manages for Derby City Council, and therefore cannot prevent the loss of social</p>	

homes from this legal requirement. It does, however, continue to press for reforms to the Right to Buy to lessen its impact on the availability of social rented homes.

Section 1.2 Recommendations for Improvement

1	Continue to use the methodology around stress testing the DH Business Plan.
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2 Specific expectations applicable to all registered providers

Standard 2.1	Registered providers shall adopt and comply with an appropriate code of governance. Governance arrangements should establish and maintain clear roles, responsibilities and accountabilities for their board, chair and chief executive and ensure appropriate probity arrangements are in place. Areas of non-compliance with their chosen code of governance should be explained. Registered providers should assess the effectiveness of their governance arrangements at least once a year.
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Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.1

12	Registered providers should demonstrate their actions are consistent with both the principles and relevant provisions of their code of governance and overall contribute to sound governance
13	The regulator anticipates that an assessment of the effectiveness of governance arrangements may vary in terms of depth and scope in line with the internal and external environment within which the registered provider operates. Some parts of a governance review may be carried out to a different timescale than an annual review where this helps ensure the quality and effectiveness of the review. Where this is the case, the annual assessment of the effectiveness of governance arrangements should give assurance on the timescale and progress of work on these areas.

DH Compliance Position – Compliant

DH Board has adopted the NHF Code of Governance (updated 2020) and updated its Code of Conduct in 2021.

The Governance Committee will undertake a detailed assessment of compliance with NHF Code on an annual basis.

Section 2.1 Recommendation for Improvement

Continuing to review the NHF code and its requirements, leading to consideration of areas for improvement on an annual basis.

2.2	Registered providers shall ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.
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Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.2	
14	Paragraph 2.2 of the Standard complements the board's responsibilities to act lawfully and responsibly. Compliance will include both behavioural aspects, such as ensuring that the board and executive foster a culture of constructive challenge and debate, and good governance practices.
15	<p>To ensure that registered providers have the requisite skills and capability to perform their functions, the regulator would expect them to:</p> <ul style="list-style-type: none"> • have an appropriate skills strategy to address the needs of the business • regularly assess whether boards and management have the right competencies, experience, and technical knowledge appropriate to the size, scale and risk profile of the organisation • ensure that all material decisions are made with appropriate internal/external expertise or advice and should satisfy themselves of the impartiality of any support or advice • have plans to address any skills gaps identified (including through bringing in external skills), and such plans should be monitored to ensure that they are followed through
16	In order to determine the appropriate level of independence, registered providers should have regard to their adopted code of governance, relevant legal requirements, e.g., charity law and to their business model. In some businesses, influence is inherent in the corporate structure of the registered provider (for example a profit-making registered provider which is a subsidiary of a group). In other cases, influence may not be inherent in the corporate structure but result from close associations the registered provider has with other organisations or individuals.
17	In managing their affairs with an appropriate degree of independence, board members should exercise independence of judgement and act at all times in the best interests of the registered provider. There should also be appropriate mechanisms in place to manage any conflicts of interest to demonstrate probity and value for money.
18	Registered providers should not be subject to undue influence from third parties that could reasonably be expected to lead to non-compliance with regulatory standards.
Derby Homes Compliance Position – Compliant	
<p>Derby Homes Board comprises 9 Members, 3 Councillors, 3 independents plus 3 tenants.</p> <p>The Board and Executive undertakes specific training facilitated by external parties to address any areas that it feels are relevant to its development – for instance on finance or to foster a culture of constructive challenge and debate aligned to the cultural values of the whole organisation and linkages with DCC, as its sole Shareholder as well as any other issue that it feels needs to be addressed through training – whether in the traditional manner or through e-learning.</p>	

The Board Member skills audit is updated regularly with each change in Board membership (normally more than once a year) with succession and recruitment strategies designed to ensure Board retain a mix of essential skills.

DH complies with the NHF Code of Governance 2020, our Memorandum & Articles of Association and Company Law. We are further regulated and managed by our sole owner, Derby City Council. We are regulated by the Financial Conduct Authority (FCA) with respect to Derby Advice's service to the public including tenants.

Board members demonstrate independence of judgement whilst acting in the best interests of DH. These requirements are set out within the NHF Code of Governance 2020, and the Board Member Code of Conduct adopted by Derby Homes with specific mechanisms in place to report, record and declare conflicts of interest.

The DH Memorandum & Articles of Association and Board composition ensure that the Board is not subject to undue influence from third parties.

An independent review of compliance with the NHF 2015 Code was undertaken by Nottingham City Homes in 2019, with changes made as a consequence.

2.3	Registered providers shall communicate in a timely manner with the regulator on material issues that relate to non-compliance or potential non-compliance with the standards.
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Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.3

19	The regulator requires registered providers to tell it at the earliest opportunity about any material issues that indicate there has been or may be a breach of the standards. This might include, for example, material frauds, liquidity issues, breaches of lenders covenants or failures of governance. This transparency is a fundamental pillar of the co-regulatory approach.
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20	In deciding what is material, registered providers should be mindful of the regulator's role in the consumer standards. The regulator may only intervene where there has been a breach of the standard which has, or may cause, serious detriment. In relation to the consumer standards registered providers are only obliged to disclose those matters which have or may relate to such a breach.
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Derby Homes Compliance Position – Compliant

Derby Homes is committed to transparent and timely communication with the Regulator and reported a short-term shortfall in electrical and gas servicing compliance through the RSH's CORS returns during 2020/21. In each case, the position had been recovered to full compliance by the time of the next return.

2.4	Registered providers shall ensure that they have an appropriate, robust and prudent business planning, risk and control framework.
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2.4.1	The framework shall ensure: a) there is access to sufficient liquidity at all times
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	<p>b) financial forecasts are based on appropriate and reasonable assumptions</p> <p>c) effective systems are in place to monitor and accurately report delivery of the registered provider's plans</p> <p>d) the financial and other implications of risks to the delivery of plans are considered</p> <p>e) registered providers monitor, report on and comply with their funders' covenants.</p>
2.4.2	The framework shall be approved by the registered provider's board and its effectiveness in achieving the required outcomes shall be reviewed at least once a year.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.4	
21	Registered providers need to ensure their business planning, risk management and control framework is effective. It should cover all areas of the registered provider's business. This should demonstrate the registered provider fully understands and has considered its operating environment, so it can deliver its business plan and organisational objectives. It does not need to be captured in a single document.
22	Registered providers should have a clear understanding of their risk tolerances and ensure that they are appropriate to the scale and nature of the activities they are undertaking and their role as a registered provider. Registered providers should be able to identify the capital at risk from any investment activities and ensure that investment is priced at such a level with a rate of return which is commensurate to the level of risk presented. Where a registered provider is a charity, they should consider this alongside their objects and duties under charity law. Registered providers should consider the potential aggregated impact of risks, as well as their impact at an individual level.
23	Registered providers should ensure that they have access to sufficient committed and available liquidity at all times. They should understand the timing of cash flows and any conditions for a drawdown so they can manage cash flow risk. This means registered providers should understand the receipts and outgoings of the business, for example, rental income, investment in existing stock, the costs of development, receipts from sales and other business, financing costs (loan capital and interest payments) and build sufficient prudence into their plans to cope with changes. In particular, boards should assure themselves that they put funding lines in place in sufficient time to cope with major cash outflows. Boards should ensure that they effectively identify and manage any risks of re-financing whether planned or in reaction to changes in the operating environment.
24	Registered providers should also look at the relationship between operational and capital cash flows. Non-discretionary expenses, including all major repairs (whether capitalised or not) and interest costs, should be met from operating income. When using capital

	income (for example, receipts from disposals) to meet operating expenses, boards should ensure there is a plan that ensures operating cash flows fully cover operating expenses in the future. While this is not the case, registered providers need a plan to ensure that exposures are managed.
25	Registered providers need to build their business on robust and prudent assumptions. Registered providers should assure themselves the assumptions used are reasonable. For example, these may be based on: <ul style="list-style-type: none"> · past performance · market conditions · deliverability and forecasts of possible future conditions
26	The regulator expects these assumptions will be kept under review and updated in the light of changing circumstances. It is important that registered providers ensure their plan enables them to meet lenders' covenants. Registered providers need to ensure sufficient headroom to allow them to take remedial action if assumptions within the plan significantly change or (potentially) if they are not delivering against the plan.
27	The regulator expects registered providers to identify the impact of significant business decisions (for example, major changes in development appetite, a new major scheme, moving into a new business stream or taking on new sources of funding) on viability (including continued covenant compliance). It also expects registered providers to report these to the board and take remedial action where necessary. Registered providers should think about their covenants in the broadest sense (financial and non-financial), set target measures of financial performance which provide headroom over covenants, and ensure they monitor all covenants.
28	The boards of registered providers should also be aware of the risks posed where separate companies are in effect controlled by others (through common or shadow directorships) and liabilities may be attributed to the registered provider putting social housing assets at risk. These risks should also be identified and mitigated.

Derby Homes Compliance Position – Compliant

The Business Plan is reviewed annually by the Board – in setting its budget and its medium-term planning.

All loans are with Derby City Council and are structured in a way that provides long term fixed levels of repayment with limited opportunity or likelihood of immediate repayment from DCC. The only covenant imposed by the Council is that payment of interest on and repayment of its loans are made on time. The Council has also indicated (although not formally set) a minimum cash position of a positive £250,000 at all times. Current plans are set well in excess of this level at all times. Plans are set with an aim to sustain a cash balance in excess of £2.5m – well above the “failure” point for Council loans to ensure a buffer is maintained.

Effective controls

In order to ensure that the company is pursuing the right objectives, the Board undertakes an annual review of the operating environment, including an assessment of significant risks facing the business as recorded in the Strategic and Operational Risk Registers. Additionally the Finance Director, working with Council colleagues reviews the DCC HRA Risk Register and incorporates any relevant issues within the Derby Homes Risk Registers, which are reported to Board.

These risks are considered alongside the annual budget setting processes to ensure detail actions set out within the Risk Register and the Annual Delivery Plan are fully funded.

Monitoring Delivery of Plans

The Annual Delivery Plan is approved annually by Board and the Council and monitored by the Board & Operational Board.

Financial Plans

Financial reports are presented to the Board at each meeting (6 times a year).

The Chair is updated verbally each month of any major variations in financial performance. The Senior Management Team receives quarterly management accounts. This enables timely corrective action to be put in place as necessary.

The position of Derby Homes is unusual for an RP as the vast majority of income comes not from rent but from our management arrangement with the Council to manage and maintain its homes. This means that the relative risk on our own developments is much less than would be the case for other RPs as our rental income is currently of the order of 1% of income and is unlikely to rise above 3% in the medium term. This means that the relative impact of development risk is very small compared to the core Council housing funding.

Liquidity

A long term cashflow forecast is included within the assessment on going concern, and continues to be very positive.

The level of loans for each development is considered on a case-by-case basis, ensuring a balance between overall cost and funding required. Borrowing levels are limited by the Council to 75% of the open market value of the properties, but in general no more than 60% is normally borrowed to reduce the exposure. Overall debt levels are still below 33% of the open market value of the owned homes. While there is no intention to sell any property, recovery or repayment of loans could be easily facilitated through sales should it be necessary. There is no need on current plans to do so. Current plans do not envisage going significantly above EUVSH (42% of Open Market Value) although the capacity to do so remains should plans require it.

In year cash balances are managed by the Accountancy team to ensure that the bank balance does not fall below £2.5m and does not exceed £8m. This is achieved via the agreement with DCC to pay the core management fee and main capital works monthly on account. A number of deposit accounts are also held to manage the cash levels in the main current account.

If there was a need for short term cash, then the immediate plan would be to amend the payment schedules of the management fees receivable from DCC forward. The second option would be to re-finance the loans with DCC and create additional cash that way – the loan agreements allow for such an option. Leasing of future vehicle replacements would also be possible if necessary to manage cash flow. None of these actions are likely in the foreseeable future, although should investment plans increase further, or unexpected losses occur, a re-financing of loans in around 3- or 4-years' time may be required.

Risk

The annual Strategic & Operational Risk Registers on-going risk management is monitored by the Board on quarterly updates. Risk is also monitored by the Audit Committee through annual approval of the registers.

Internal Audit includes risk management within their annual audit plan. This is currently assessed as high risk and work is done in most years by internal audit to ensure internal controls and procedures are adequate.

2.5	<p>In addition to the above registered providers shall assess, manage, and where appropriate address risks to ensure the long-term viability of the registered provider, including ensuring that social housing assets are protected. Registered providers shall do so by:</p> <p>a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets</p> <p>b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result.</p> <p>c) before taking on new liabilities, ensuring that they understand and manage the likely impact on current and future business and regulatory compliance.</p>
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Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.5

29	<p>Boards are the custodians of social housing assets and the financial viability of the registered providers that hold those assets.</p> <p>The responsibility for managing risks, and specifically risks to social housing assets, lies with boards. As social housing is a long-term asset, normally funded by long-term debt, it follows that boards need to maintain a long-term perspective on managing risk. They need to ensure that their decisions do not put short-term gains ahead of the long-term sustainability of the business and the security of their social housing assets.</p>
30 Paragraph 2.5a	<p>The primary purpose of this requirement is to ensure that registered providers understand their housing assets and security position and have swift access to this information in decision making and risk management. Such information needs to be readily available in the event of a potential or actual failure of the registered provider. This</p>

	will enable the regulator to draw up resolution strategies and aid a potential rescuer to value the social housing assets. The asset and liability register should contain sufficient information to enable a potential buyer to accurately price the value of the business and/or the value of the social housing assets in the event of distress.
31 Paragraph 2.5a	It is for registered providers to ensure such information is accurate and up to date. They should be able to produce an overview for the regulator at short notice. The records need to cover the breadth of the registered provider's activities (including activities carried out in subsidiaries, joint ventures and SPVs) and identify its assets and liabilities. The regulator does not prescribe the format of such records. The approach taken is likely to vary according to the size and complexity of the registered provider. The regulator expects that a registered provider's board will oversee the maintenance of these records and that they are readily reconcilable and regularly reconciled.
32 Paragraph 2.5a	Asset records should clearly identify social housing assets and where these assets are encumbered. Such records would normally include, but are not limited to, treasury arrangements, key contracts, title information and any restrictions on that title (for example planning obligations, charitable or other restrictions), valuations, stock condition and lender covenants.
33 Paragraph 2.5a	Registered providers should consider and record their liabilities in the widest context. The regulator considers the liabilities should include items which relate directly to the social housing assets and those which might have an impact on the business as a whole. This may include, but is not limited to: <ul style="list-style-type: none"> • loans including borrowing from other group companies or related undertakings • guarantees, indemnities etc. including those provided to subsidiaries and SPVs, whether secured or unsecured • leases, sale/lease and leaseback transactions • market-to-market exposures on derivative positions • cross default provisions (for example, a provision in a loan agreement which provides that a default on one loan agreement gives rise to a default on another one, including where these potentially cross between entities) • a duty or responsibility that obligates the entity to another, leaving it little or no discretion to avoid settlement • the potential for any impairment particularly in relation to investments in non-core activities.
34 Paragraph 2.5a	Within group structures, boards should ensure they have full understanding of where liabilities exist between all entities (both registered and unregistered). This should include understanding of how a failure in one part of the group may affect other members of the group. Registered providers in a group should ensure they have an appropriate methodology to model and communicate the impacts of risks crystallising in one entity on other entities within the group, in particular where there would be recourse to social housing assets.

35 Paragraph 2.5b	<p>The regulator expects registered providers, as part of their risk management approach, to stress test their plans against different scenarios across the whole group. The scenarios used will vary according to the size, type and structure of the organisation. Registered providers should go beyond simple sensitivity testing and include multi-variate analysis which tests against potential serious economic and business risks. Registered providers should explore those conditions which could lead to failure of the business, even if planned mitigations and controls are successfully implemented. They should assure themselves that the scenarios are consistent with what they consider to be acceptable levels of risk and their obligations. Stress testing should employ scenarios that are designed to assess resilience.</p>
36 Paragraph 2.5b	<p>In designing the stress testing, boards should consider both the long term, cyclical nature of economic factors that impact on the business as well as internal business risks.</p>
37 Paragraph 2.5	<p>Two potential examples are offered by way of illustration:</p> <p>a) The board of a developing registered provider with a shared ownership and outright sale programme that is raising external debt will need to think about how key variables in the business plan would move during a housing market slowdown or crash.</p> <p>This would include, for example:</p> <ul style="list-style-type: none"> • what is happening to sale prices and volumes • how lenders would be operating in that market • the potential for impairment • what might be happening to variable rate debt and the costs of working capital • other costs of holding the asset such as increased security costs and the movements in nominal and real inflation rates <p>b) The board of an organisation with significant supported housing business, but little new development, will need to think about for example:</p> <ul style="list-style-type: none"> • what might happen to corporate overheads and contract-specific costs if the registered provider lost key contracts • unsustainable price inflation or wage growth that removed margin from the business
38 Paragraph 2.5b	<p>Managing and addressing risk should involve developing plausible scenarios that test the business plan against adverse movements in the operating environment. Doing so will help underpin boards' understanding of where the risks lie and inform their consideration and planning for remedial action if the risks crystallise either singly or in combinations. Registered providers should consider the implications of this stress testing for its existing business including how the business may need to respond, whether business streams may need to be altered or stopped, whether it has sufficient headroom, what controls they have in place and how those controls are implemented.</p>
39 Paragraph 2.5b	<p>As long-term businesses, registered providers need to ensure that they can withstand the long-term cycles in the economy and that short term decisions do not constrain their ability to cope with risk. This</p>

	does not prevent registered providers from taking on measured risk to deliver their objectives. It means that when taking on risks, boards should fully understand the impact on their business in the round, as well as on their social housing assets. Boards should have appropriate mitigations and controls in place as well as a strategy to protect those assets during the long term.
Derby Homes Compliance Position - Compliant	
<p>2.5a Derby Homes has completed an Assets Register (which includes liabilities) as required by the RSH. This is maintained by the Company Solicitor. The only material liabilities that Derby Homes has are those secured loans with Derby City Council on certain properties. Additionally, there is a contingent liability around Homes England (HE) grants which require Derby Homes to comply with HE grants conditions. There is also a large pension scheme liability, but this is underwritten by Derby City Council.</p> <p>2.5b The Derby Homes' long term financial health is subject to stress testing as part of the annual review process. Stress testing of the Plan was undertaken to identify at which point the plan breaks. This highlighted cash as the limiting factor, which reached breaking point at differing levels of management fee reduction and / or increases in new homes plans. The annual business plan is set at levels well above these identified breaking points.</p> <p>2.5c As part of the approval process in taking on any new liabilities the Board will require that all risks are identified and the impact/probability of that risk on the business is fully understood. This includes the requirement for all new loans from DCC to have Board approval in advance of the loan being sought.</p> <p>The relative risk in developing new homes is limited as explained in 2.4 above. Derby Homes currently has no supported housing of its own nor does it have any complicated group structures. Our arrangements are very straightforward and clear with only one lender (Derby City Council) and no formal covenants. The extent of scenario testing really relates to the extent to which any reductions in our core income cannot be delivered by reductions in related spending.</p>	
2.6	Registered providers shall ensure that any arrangements they enter into do not inappropriately advance the interests of third parties or are arrangements which the regulator could reasonably assume were for such purposes.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.6	
40	Registered providers should act in good faith appropriately advancing their own interests and those of their tenants. The focus here is on transactions which, for example, over-price services received so the contractor receives an inflated price or, where services are given without a suitable charge being levied.
41	For the avoidance of doubt, the regulator does not intend those transactions undertaken to promote charitable or social objectives, nor appropriate dividend payments by profit making registered providers will be caught by this expectation.

42	Where there are conflicts or perceived conflicts of interest, registered providers should clearly set out how they effectively manage these. They should ensure that, for example, parent companies, other entities or individuals who have control or influence (or whom the regulator reasonably believes has such control or influence) cannot or do not exert influence which would have a damaging effect on the registered provider or its compliance with standards. This could be, for example, charging unfavourable prices for the provision of services.
43	Third parties are any person or body which is not the registered provider. This includes, for example, directors and board members and may also include individuals or organisations that have close links to the registered provider.
Derby Homes Compliance Position – Compliant	
<p>Robust mechanism for declaration and recording of interests is in place via the annual “Conflicts of Interest” form.</p> <p>Derby Homes, whilst being fully owned by Derby City Council, does procure, and sell a number of services to and from DCC. These are set at levels which are broadly representative of the services being supplied or provided. The application of funds received from the Council are restricted by the Objectives of the company to ‘housing related’ items or to other services provided by Registered Providers of Social Housing. This does allow Derby Homes to choose to subsidise such activity – whether it be related to development of new homes or delivery of non-social housing services. Derby Homes also needs to get Council permission to give grants to housing related external parties and has done so regularly, supporting homelessness initiatives and other charitable housing related activities that support both ours and the Council’s objectives. Derby Homes’ objectives clearly overlap with Derby City Council in the area of housing provision and there are regular discussions with a view to working together to meet overall Council housing objectives.</p>	
2.7	Registered providers shall communicate with the regulator in an accurate and timely manner. This includes returns to the regulator, including an annual report on any losses from fraudulent activity, in a form determined by the regulator.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.7	
44	The regulator requires registered providers to communicate with them in an accurate and timely manner. This includes provision of information, for example data returns. The regulator will clearly articulate its requirements for regulatory returns to the sector and, where appropriate, will consult on these. It is the responsibility of registered providers to ensure that they submit required data returns in a timely manner and the information provided is of a good quality. This includes for example ensuring that returns such as the Financial Forecast Return are fully complete with no missing information, that the data is accurate and submitted by the deadline required. It is not the regulator’s role to correct or fill in incorrect or missing data and we will view such returns as evidence of a weak control environment.

Derby Homes Compliance Position - Compliant	
Derby Homes completes RSH returns within stated timeframes.	
2.8	Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 2.8	
45	In addition to assuring themselves of compliance with standards on a yearly basis, boards need to assure themselves of their continuing compliance when taking on significant new risks. This could be, for example, when undertaking a new development or entering a major contract. Registered providers' boards shall certify their compliance in the narrative report which accompanies their financial statements. When certifying compliance with the Standard, registered providers shall ensure that they consider compliance with regulatory standards in the round as set out in the required outcomes of the Standard.
Derby Homes Compliance Position – Compliant	
<p>The Board will consider this self-assessment position statement at the November 2022 meeting. A formal statement of compliance will be included in the 2021/22 financial statements. Any major decision requiring the Board's approval requires the legal, financial, governance implications to be considered. Over recent years, Derby Homes has taken on significant new risks in terms of operating Milestone House, TUPE transferring staff to deliver Housing Options and Advice and giving a grant to a domestic violence refuge. These were discussed at the Board and funding set aside to cover the likely extent of these new risks. Further services are provided with the increase in funding available for homelessness prevention via the flexible homelessness prevention grants which have been passed by Derby City Council to Derby Homes to deliver additional activity and to avoid homelessness where possible. While this places still further financial pressure on Derby Homes and the expected operational surplus has reduced significantly since a few years ago, the overall financial outlook remains positive thanks to ongoing revenue efficiency gains.</p> <p>Due to the delayed appointment of external auditors, the 2021/22 financial statements will be considered by Board in November 2022. This means that Derby Homes will have not met the filing deadline for financial statements of September 2022. This technical breach has been proactively notified to the RSH and they have sent a reply that they will monitor the position and our intention to file in late November / early December 2022. At the time of drafting this update, although Derby Homes is in technical breach, the RSH have not formerly notified that such a breach has occurred.</p>	
3. Specific expectations applicable to specific categories of registered provider	
Registered group parents	

3.1	Registered providers which are parent companies shall, as appropriate, support or assist those of their subsidiaries that are registered providers with a view of ensuring compliance with regulatory requirements.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 3.1	
48	Paragraphs 3.1 and 3.3 seek to ensure that where a registered provider is part of a group, it can look to other entities within that group for assistance with achieving compliance with regulatory requirements. If a registered provider is part of a corporate group, the regulator expects the registered provider will ensure that other entities within the group are aware of the regulatory requirements placed on the registered provider and understand the implications of them.
49	Pursuant to paragraph 3.1, in groups where the parent is a registered provider, the parent is required to provide support or assistance to ensure the group's compliance with regulatory standards. This includes, where appropriate, ensuring the ongoing viability of the group, and may require assistance to one registered provider from other registered providers to ensure continued compliance with regulatory standards.
Derby Homes Compliance Position	
Not applicable DH is not a parent company within a RP group.	
Registered providers with unregistered parents	
3.2	Registered providers with parent companies who are not registered providers shall ensure that they do not enter into agreements to support the activity of the parent or another group member that may have a material negative impact on the social housing assets of the registered provider.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 3.2	
47	Where a registered provider has an unregistered parent, the social housing assets should not be used to support non-social housing activity in other parts of the business to the extent that it may have a material negative impact on, or material recourse to the social housing assets. The regulator would also expect the risk to the social housing assets to be low. Registered providers would not be expected to enter into, for example: <ul style="list-style-type: none"> · formal agreements such as guarantees or cross default clauses in loan agreements · less formal or indirect arrangements such as making investments which lead to impairment, or which, in the event of insolvency, might allow recourse to the social housing assets.
Derby Homes Compliance Position	
Not applicable – our owner Derby City Council is a Registered Provider (as a Council).	

3.3	<p>To enable compliance with the regulator's standards or other regulatory requirements, registered providers with parent companies that are not registered providers shall have in place effective mechanisms to ensure that:</p> <ul style="list-style-type: none"> · such parent companies will give any appropriate support or assistance as necessary to the registered provider · such registered providers have the ability to require the support or assistance of the parent company concerned · the registered provider's ability to meet the regulator's standards and other regulatory requirements is not and cannot be prejudiced by the activities or influence of the parent company or another part of the group.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 3.3	
50	<p>Paragraph 3.3 means if a registered provider has an unregistered parent company, the registered providers must put in place mechanisms to ensure the parent company concerned will assist the registered provider to comply with regulatory requirements. Also, to ensure the parent company or another part of the group does not do anything that compromises the registered provider's ability to meet regulatory requirements. In some circumstances it may be appropriate for the regulator to be a party to such agreements.</p>
Derby Homes Compliance Position	
Not applicable – our owner Derby City Council is a Registered Provider (as a Council).	
Profit making registered providers	
3.4	Profit making registered providers shall ensure that they undertake their social housing activities in an entity which is legally and operationally separated from any other activities they may undertake, except as set out below.
3.5	<p>Profit making registered providers should ensure that activities they undertake which do not relate to the provision of social housing:</p> <ul style="list-style-type: none"> a) form only a very small part of the activities they undertake b) are not such as to mean that registered providers place social housing assets, activities relating to the provision of social housing or their own financial viability at undue risk.
Code of Practice: Specific expectations applicable to all registered providers; paragraph 3.4 and 3.5	
51	<p>Profit making registered providers should separate any activities that do not relate to providing social housing from those that do. The regulator is concerned that any potential recourse to the social housing assets from other non-social housing parts of the business is minimal. Profit making registered providers should manage their affairs in such a way that this is the case.</p>

52	<p>A small amount of activity that does not relate to providing social housing is permitted within the legal entity. This is to allow for situations where the activity is undertaken for both social and non-social housing reasons, for example, mixed tenure developments. In such circumstances, the registered provider should ensure the non-social housing activity within the entity does not place social housing assets, activities or its own financial viability at undue risk. The regulator considers, where it is necessary for non-social housing activity to be carried out in the legal entity, the amount of non-social housing activity should be in the region of no more than 5% of capital or turnover. Registered providers should include within the calculation of the amount of non-social housing activity any agreements entered which relate to non-social housing activity by others, which could have a material negative impact on the social housing assets.</p>
53	<p>Boards of profit-making registered providers should consider what are social housing or non-social housing activities and should approve the final designation. The regulator may seek assurance on the robustness of the processes and challenge if it considers the conclusions are inconsistent with the required outcomes contained in the Standard. The designation of activities should be considered by boards and updated as activities start or stop or when the organisation enters into new ventures. To aid boards, the regulator lists below some activities which are not considered to be related to the provision of social housing:</p> <ul style="list-style-type: none"> · management/maintenance services to other organisations · management/maintenance services for own non-social housing · care services · development and letting of market rent housing and provision of any associated services · development and sale of outright market sale properties · development and letting of student housing and provision of any associated services · development activity (other than affordable/social housing development) · estate agency services
Derby Homes Compliance Position	
Not applicable Derby Homes is a not for profit RP.	

Principle 1: Mission and values		
The board sets and actively drives the organisation’s social purpose, mission, and values and through these embeds within the organisation resident focus, inclusion, integrity, openness, and accountability.		Compliant
Comments	<p>The Board understands its unique status of being both part of and not part of the Council as the sole owner.</p> <p>The Board reviews its mission and sets a delivery Plan every year to be agreed with the Council</p>	
Evidence	<p>Annual approval of the Derby Homes Delivery Plan This includes the Mission, Values and Strategic Objectives.</p> <p>Minute 21/22 Draft Delivery plan considered by DH Board.</p> <p>SMT (mission, values, objectives) – September 2020</p> <p>SMT (service drivers and actions) – October / November 2020</p> <p>SMT (performance measures and actions) –December 2020</p> <p>Minute 21/119 – Modern Slavery Act Statement approved by board</p> <p>21/138 - Attendance at Board away day</p>	
Action needed	Approval to DCC Strategic working group.	
Action for	Maria Murphy	
Action by	Completed	

Compliance: from principle to practice		
1.1 Mission: the board leads the organisation in pursuit of achieving its social purpose. The board sets the organisation's mission and values, and regularly reviews and reaffirms their relevance.		
		Compliant
Comments	<p>Annual review by SMT and the Board</p> <p>Update reports on Delivery plan provided to Board for each quarter with update on progress.</p>	
Evidence	<p>Minute 21/87 – Governance & Viability compliance statement 2020/21 compliance assessed</p> <p>Minute 21/87 - Q1 performance management report DH Board</p> <p>Minute 21/00 - performance management q4 2021/21 – measures reported to DCC & ops Board.</p> <p>31 March 22 - Delivery plan report Q3 report 21/22</p> <p>At the end of quarter three (31 December 2021) 77% of DP actions were judged to be 'completed' or 'on track' of completion within their timescale.</p> <p>19/05/2022 – Delivery plan report Q4 report 21/22</p> <p>At the end of 2021/22 - 90% of our actions were judged to be 'completed' or 'on track' of completion within their timescale.</p> <p>Minute 21/46 – various grants for homelessness, Safespace, offender housing and Private rented sector</p> <p>21/175 – MD report Reviewing Board Away day 20 November 2021. outlining the proposed approach to preparing for the forthcoming regulatory changes. Board Members were invited to raise any questions or comments with the Managing Director on the NFA/CWAG joint report, Excellence in Management and Partnership, and suggested the use of the action plan within the report to measure the strength of the relationship between Derby Homes and the Council.</p>	

1.2 Resident focus: the needs and safety of the organisation's current and future residents and other customers are placed at the heart of the board's decision-making.	
Compliant	
Comments	We have a very strong emphasis on tenant representation which Derby Homes has always strived to maintain. A Main board member is this health and safety champion who chairs the health and safety forum. feedback from the health and safety forum is given to the board at each meeting.
Evidence	<p>One third of main board members are tenants.</p> <p>Operational Board – 12 members majority tenant based (6), a leasehold member (1) and three board members (1 tenant, 1 independent & once councillor)</p> <ul style="list-style-type: none"> (1) Compliance is reported to the board at every board meeting in relation to the big six. E.g., minute 21/48 Gas Servicing Discussed at Board and minute 21/117 legionella discussion (2) H&S reports delivered to Board - e.g., Minute 21/47 - H&S update (3) Building Safety - Minute 21/114 Building Safety Bill & Rivermead (exceeds 18M) (4) Customer Feedback – e.g., Minute 21/149 - New customer engagement software to give customers more opportunities to get involved and to target customers based on their needs & Minute 21/180 HRA Business Plan & Rents 2022/23 Feedback from the DACP and Customer Voice was positive, and they saw rents as value for money. (5) Customer Engagement and community strategy 2021-24 (Ops board approved Dec 2020)

(1) There are policies, frameworks and opportunities which enable, encourage and support residents and other customers to engage with, influence and contribute to strategic decision-making.	
Compliant	
Comments	Derby Homes welcomes participation by its tenants in its work. This is demonstrated in several ways including participation in the Main Board, Operational Board, Audit Committee, Virtual panel & Customer voice
Evidence	The DACP (independent residents' group) has direct representation on the operational board and is consulted on key decision e.g., rent and service charges.

	<p>Under the Company's constitution tenants have the right to:</p> <p>Tenants have the right to:</p> <ul style="list-style-type: none"> • apply to sit on the Board and Operational Board of Derby Homes • contact their local councillor about any matters of concern to them • obtain a copy of our governance arrangements • attend meetings of the Board of Derby Homes, Operational Board, and committees, except where confidential matters are being discussed • ask a question at meetings of the Board or Operational Board of Derby Homes <p>*Petition to request a matter is considered by the Board of Derby Homes or Operational Board or petition to request a matter is considered by a committee of the Council</p> <p>*find out, from the Board's forward plan, what major decisions are to be discussed by the Board and when to see reports and background papers, and any record of decisions made by the Board and its staff</p> <p>*complain about any aspect of Derby Homes' services, under its Complaints Procedure *complain to the Ombudsman if they think Derby Homes has not followed its procedures properly. However, they should only do this after using Derby Homes' own complaints process</p> <p>*complain to the Managing Director if they have evidence which they think shows that a member of the Board or staff of Derby Homes has not followed Derby Homes' Code of Conduct</p> <p>* inspect Derby Homes' accounts and make their views known to the external auditor.</p> <p>There is a section for questions to the Board from the public at each board meeting</p>
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(2) The board has access to insight into the views and needs of the organisation's residents and other customers (including insight into their concerns and complaints) and uses this to inform decisions where appropriate.	
	Compliant
Comments	See box Principle 1.2(4) in addition the board and operational receives updates of customer views and satisfaction.
Evidence	Complaints report e.g., May 2021 Q4 complaints and complaints report and September 2021 Q1 for example. Minute 21/43 – Better together and locality working summary of engagement content

	<ul style="list-style-type: none"> • Spring 2021 – Leaseholder survey, Website redesign, learning from complaints, Virtual Panel and Customer Voice updates • Autumn 2021 – Delivery plan, Customer Voice, Virtual Panel, who are the Board/meetings online/dates, Annual Report, • Winter 2021 – White paper, Customer Voice reviews, Youth Panel, DACP/Tenant Federation, • Spring 2022 – Leaseholder forum, consultations feedback and outcomes, Customer Voice, Annual Report feedback, ways to get involved, Youth Panel • Dec 2020 Customer voice report on quality of repairs
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(3) There are policies in place which reflect that the safety of residents and other customers (as well as that of the workforce and the wider public) is an overriding priority, and the board receives reports annually on their operation.	
Compliant	
Comments	The health and safety forum is chaired by a board member (health and safety champion) which meets six times a year and focuses on health and safety. The issues from meeting are fed back to the main board.
Evidence	ROSPA Presidents Award for H&S (16 consecutive gold) and called Order of Distinction Extensive policies in place as well as risk assessments including those for Covid-19. Report to the Board for health and safety at every meeting. SMT meetings have a health and safety update every month and there are further meetings with the executive team and unions.

(4) The organisation regularly reports to its residents on how its commitments to resident focus have been delivered.	
Compliant	
Comments	Reporting to residents take place in a number of ways.
Evidence	Public reports on CMIS Reports are available via our website Minute 21/121 Digital strategy approved Minute 21/122 – DH annual report for customers 20/21 & tenant newsletter Board meetings are broadcast live on YouTube.

	DH annual report - reporting KPI's, cost and value for money, property maintenance, stock levels, achievements, learning & safeguarding
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1.3 The board demonstrates a clear and active commitment to achieve equality of opportunity, diversity, and inclusion in all of the organisation's activities, as well as in its own composition. It has policies and statements which meaningfully demonstrate this commitment and sets priorities and objectives for the organisation to achieve.	
Compliant	
Comments	The Board has appointed an equalities champion who chairs the equality's forum. Feedback from the Board is given to the Board. Derby Homes has relevant policies and procedures in place.
Evidence	<p>DH has the equalities forum and a board champion for equalities. The Equalities forum meet and review issues and make recommendations to the board and management. Equalities reports cover policies that are in place.</p> <p>Board Minute 21/50 – Diversity Forum and Annual workforce equality report. noted the actions taken by the Diversity Forum and the content of the annual workforce Equalities report and adopted and endorsed the Equalities Forum's objectives as the Board's equalities and diversity priorities and objectives for the year.</p> <p>Board Minute 21/51 25 March 2021 - The Board considered a review of the Equalities Policy, which was reviewed in accordance with the three-year policy review.</p> <p>21/130 – Gender pay gap reporting 20/21.</p> <p>21/149 - The report advised that Derby Homes offers a guaranteed interview for any active Derby Homes Ignite and Connect youth panel member in year 11 or above applying for apprenticeship opportunities within the organisation and meeting the essential criteria for the role.</p> <p>21/149 - An update was provided on progress of the Carelink Telecare Installation upgrade being installed in over 2000 council homes.</p> <p>21/179 – Equalities forum update proposed to main board and agreed.</p>

(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.	
Compliant	
Comments	The considerations of reports
Evidence	<p>Feedback at every board meeting from the previous equality's forum meeting by the board champion.</p> <p>See 1.3 above rather than duplicate information</p>

(2) The organisation annually publishes information about its work to deliver these commitments and objectives, and the progress it has made.	
Compliant	
Comments	Information about our work to deliver these commitments and objectives, and the progress it has made is reported at Board and its sub committees.
Evidence	Examples include Minute 21/86 Delivery plan 20/21 end of year report considered by Board Minute 21/87 Governance & Viability Compliance Statements 2020/21 Gender Pay Reporting - 21/130 – gender pay gap reporting 20/21. Derby Homes equalities reports Board Minute 21/50 – Diversity Forum and Annual workforce equality report.

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.	
Compliant	
Comments	Plans have been consistently reviewed including mission and strategic objectives. Culture, standards and values expected of everybody in Derby Homes have also be considered.

(1) The board leads by example and promotes the culture of the organisation.	
Compliant	
Comments	Derby Homes chair is also the chair of the National Federation of Almo's. Counsellors actively operate from the DH board in non-political manner to promote the positive nature of Derby Homes within the council.
Evidence	Annual report Accounts and delivery plan reports

(2) The board seeks regular assurance that its desired culture and behaviours are being enacted in practice in alignment with its mission and values.	
Compliant	
Comments	Assurance on culture is a constant theme in all areas of the operation of the board
Evidence	Reports and feedback

1.5 Integrity: the board, its members and the organisation maintain high standards of probity and conduct.	
Compliant	
Comments	<p>Declarations of interest</p> <p>Board member code of conduct</p> <p>Declarations of interests at each Meeting of the board and its committees.</p>
Evidence	<p>Board members sign up to an internal code of conduct and services agreement and abide by the standing orders which are periodically reviewed.</p> <p>Governance committee scrutinises governance issues recommends practise to the board</p> <p>minute 21/105, 21/137, 22/35 – BM declarations of interest.</p> <p>Minute 21/184 - The Board considered recommendations from the Governance Committee arising from the meeting held on 4 November 2021</p> <ol style="list-style-type: none"> 1. Board Members Services Agreement 2. Board Members Code of Conduct <p>Approved by Board.</p>

(1) The board adopts a formal code of conduct to which all its members adhere.	
Compliant	
Comments	Code of conduct has been adopted
Evidence	<p>In November 2021 the Governance Committee (minute number 21/21) considered the 3-year review of the Board Member Code of Conduct and approved the code subject to some minor amendments.</p> <p>Minute 21/184 - The Board considered recommendations from the Governance Committee arising from the meeting held on 4 November 2021</p>
Action needed	Review of Code of conduct
Action for	Head of Governance
Action by	2024

(2) The board has clear policies and procedures for its members to identify, declare, record, and manage any actual, potential, and perceived conflicts of interest	
Compliant	
Comments	Various policies and procedures to identify and declare potential or perceived conflicts of interest.
Evidence	(1) Adoption of the NHF code of Governance 2020 - Minute 21/87 adoption of code in September (2) SMT declarations of Interest Minute 21/95 – SMT declarations of Interest (3) Employee Declarations of Interest June 21 and May 22 (4) Declarations of interest by BMs at every meeting and committee meeting. i.e., Board Minutes 21/33, 21/70, 21/137 & 21/182 – Board member declarations of interest. Annual report for 2021.

(3) There is a publicly available register for board and committee member declarations of interest which is reported on annually to the board	
Compliant	
Comments	Disclosed annually (November Board Meeting)
Evidence	Board Meeting papers
Action needed	Publicly available on CMIS

(4) Where there is a material conflict of interest, any individual concerned withdraws from the board's discussions and decisions on relevant matters.	
Compliant	
Comments	Written into standing orders
Evidence	Declarations of interest at each board meeting Declarations of interest by BMs at every meeting and committee meeting., Board Minutes 21/33, 21/70, 21/137 & 21/182 – Board member declarations of interest. Annual report for 2021

(5) In case of a fundamental or ongoing material conflict, the board determines whether the person concerned should cease to be a board member.	
Compliant	
Comments	DH would act in such an event.

1.6 Accountability: the board operates openly and transparently, and demonstrates accountability to key stakeholders including residents, other customers, and partner statutory bodies.	
Compliant	
Comments	<p>REPORTS</p> <p>(1) Openness/ transparency & accountability</p> <p>(2) Questions from the public at each meeting of the Board</p>
Evidence	<p>Board meetings are open to the public and a broadcast on YouTube</p> <p>Questions from the public are allowed at board meetings</p> <p>The AGM is held each year for the shareholder</p> <p>Regular oversight meetings with the council as client or held at all levels</p> <p>Minute 21/56, 21/91, 21/124, 21/156 – 21/186 Disclosure under Insurance Act 2015 – No information to disclose</p>

(1) The board publishes information annually about 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.	
Compliant	
Comments	<p>(1) Performance management reports</p> <p>(2) House Mark report</p>
Evidence	<p>Self-assessment reports have been made public and available on our website similar openness relating to our delivery plan and board meetings.</p> <p>Performance statistics are published by the council's performance team and systems</p> <p>The board receive performance management information e.g. Q2 updates - Minute 21/66 25 March 2021.</p> <p>Minute 22/31 - Q2 Performance data</p> <p>Minute 21/67 25 March 2021 Housemark report 2019/20 - report on Derby Homes' cost and performance information as detailed in the Housemark cost and performance benchmarking report 2019/20.</p> <p>21/08 – DCC response to annual Report</p>

(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.	
Compliant	
Comments	Feedback via various mechanisms
Evidence	Customer feedback surveys Complaints process & reporting 9 December 2021 to operations board, i.e., Q1 complaints and complements report Sept 2021 Lessons learned and reporting Follow up on negative feedback re as evidenced in the annual report.

(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 arrangements regularly to ensure that they remain fit for purpose.	
Compliant	
Comments	Various avenues for customers to independently scrutinise DH work
Evidence	Customer panel/ virtual panel (evidence in spring 2022 newsletter). June 2022 – customer voice Homefinder report (18 recommendations made of which 12 were implemented). Reports CV scrutiny reviews presented to Ops Board. Service area manager works through recommendations and report back 6 months later. Customer voice - Customer voice is supported by Derby homes offices and offered an opportunity to investigate and report on any area of operation Mystery shopper Minute 21/178 – updated Local Customer Priorities Locality Project

(4) The organisation publishes clear and up-to-date information about its board members, committees, and governance.	
Compliant	
Comments	Website review revamp
Evidence	Website has information on all these aspects. board papers other than confidential ones are accessible via the website/ CMIS link CMIS

(5) 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.	
Compliant	
Comments	Responses are dealt with in an open and transparent manner
Evidence	<p>(1) Freedom of information policy</p> <p>(2) Data Protection Policy</p> <p>(3) Environmental Information Regulations</p> <p>Board Minute 21/52 Board reviewed and approved the Data Protection Policy</p> <p>Board standing orders define which documents are to be held confidential and the reason why.</p> <p>Head of Governance is the designated Data Protection Officer</p>
Action needed	Review of policies in accordance policy review procedure

(6) The role of shareholders in the governance of the organisation is documented and understood.	
Compliant	
Comments	Derby City Council is our only Shareholder
Evidence	<p>Governance arrangements make clear the council are our 100% owner.</p> <p>The council is the person with significant control (PSC) for Derby Homes.</p> <p>The PSC is registered at Companies House.</p>

(7) Organisations with open shareholding publish their policy for admission of shareholders	
N/A	

1.7 Reputation and trust: the board takes into account in its actions and decisions the importance of maintaining trust in the organisation and upholding its reputation	
Compliant	
Comments	Yes
Evidence	Board papers over many years

	Risk management approach includes reputational risk as a metric. Publicly available reports and minutes.
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Principle 2: Strategy and delivery	
The board sets ambitions, plans and strategies which enable the organisation to fulfil its social purpose and remain viable and sustainable, and exercises demonstrable and effective oversight of their delivery.	Compliant
Comments	See below
Evidence	Board papers over many years Delivery Plan setting, monitoring and outcomes are reported.

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	
	Compliant
Comments	The Board has clear ambitions to both grow the stock at a moderate pace but also to support council services especially, homelessness to a degree beyond our annual income for those services.
Evidence	Minute 21/81 - update on stock changes in 2020/21. At the 31 March the Council had lost a net 29 properties, while Derby Homes had gained 7 making a net overall loss of 22. The stock of 4 bed homes had risen while 3 bed properties continued to be lost through the Right to Buy Minute 21/82 – property update Minute 21/43 – larger asset (Bedroom) transfer from DCC. – acquisition of 10 new homes and work with children's services (young people's accommodation 21/148 – property update Minute 21/63 - 1.5m for Supported exempt housing, management agreement with Padley, utilise 5 a year general consent. Minute 21/115 – property update & Climate change champions x2 BM's Minute 21/177 property update. Minute 22/47 – stock ambitions, Solar PV, stock benefit study identified 6.5 k properties that could benefit.

(1) The board sets financially sustainable plans to ensure that the organisation has the resources it needs to deliver its strategy.	
Compliant	
Comments	Board plans are financially sustainable and have been altered according to prevailing situations
Evidence	<p>Budget papers every year and planning meetings</p> <p>Finance Training on an annual basis</p> <p>Minute 21/176 - Budget preparation plans for 2022/23 and future years</p>

(2) The board gives specific consideration in setting such plans to value for money (VFM), financial sustainability; carbon neutrality and environmental sustainability; and social sustainability.	
Compliant	
Comments	VFM and Finances are routinely considered.
Evidence	<p>(1) Finance report at each board meeting – e.g. Minute 21/44, Minute 21/81 (draft 2020/21 accounts drafted and being audited), 22/46</p> <p>(2) VFM report at Operational Board minute 21/58</p> <ul style="list-style-type: none"> • Report on the outturn figures for Derby Homes for 2020/21 compared to the RSH (Regulator of Social Housing) averages for 2019/20 • Comments on the VfM of Derby Homes • Report on the Housemark figures for 2019/20 (latest available) and comparisons <p>(3) Environmental considerations – e.g., Minute 21/45 Sap Ratings, Minute 21/28 Green Homes grant (Council and Private sector properties)</p> <p>Minute 21/115 – board appointed 2 Board Members as climate change champions, 21/148 – Decarbonisation staff forum & work with 2 BM champions. Bid for funding to bring up last few hundred homes up to EPC C. Minute 21/177 – Decarbonisation update from forum. Proposal of a single Environmental policy with DCC and Paperless board meetings discussed - trail on Application based meetings trialed by two board member volunteers.</p> <p>(4) Contracts and Frameworks - Considered as spend over £250K per year. Minute 21/98</p> <p>21/190 & 191 and Minute 22/25</p> <p>Minute 22/24 – annual waivers report – procurement noncompliance. Procurement exemptions</p>

	<p>(5) Annual report & Financial Statements - Board considered a report and the accompanying draft annual report and financial statements for Derby Homes for the year ended 31 March 2021. accepted the draft annual report and financial statements as a true and fair view of the Company's financial affairs as at 31 March 2021 and as a going concern. authorised the Chair and the Company Secretary to sign the accounts at this Board meeting</p> <p>(6) Minute 22/26 -Review of financial arrangements with DCC. NFA made the recommendation for full and comprehensive reports for financial arrangements to be completed between ALMOs and Councils.</p>
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2.2 Structures: organisational and governance structures support the delivery of the organisation's social purpose and strategic objectives.	
	Compliant
Comments	Structure – Single company - private registered provider of social housing.
Evidence	We have a limited number of owned properties

(1) Structures are designed to support effective delivery and oversight of strategy, are clearly set out, and are regularly reviewed to ensure they remain fit for purpose.	
	Compliant
Comments	ALMO reviews by DCC over the last decade have each come to the same conclusion – that the single company structure is the most efficient and effective for our current plans.
Evidence	ALMO reviews

(2) The board considers regularly whether the organisation's purpose could be better achieved through changes to its group, governance or staffing structures.	
	Compliant
Comments	Any major spend (over £250k/year) including a change to staffing requires Board approval. The Governance committee considers all governance issues including rule changes on a regular basis.
Evidence	<p>Examples include Minute 21/101 – considered minutes from Joint consultative committee.</p> <p>Minute 21/146 Changes to the staffing establishment structures have resulted in a net budget pressure of £134,000 which will be incorporated into the 2022/23 budget consultation and costs relating to 2021/22 will be contained within this year's budgets.</p> <p>Minute 22/33 – MD report changing legislative framework for social housing and the importance of a strong governance arrangement between the Council and Derby Homes. The Managing Director explained that her report is a self-assessment of compliance for the</p>

	current Consumer Standards. The Managing Director felt it was important to allow the Board to have an open and honest discussion around the self-assessments completed by Heads of Service and Directors
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2.3 Working with others: within the organisation's overall corporate strategy (or associated strategies and plans) there is consideration given to whether and how active cooperation, collaboration, joint working, or partnership with other organisations could enable it to deliver its social purpose and strategies more effectively and economically.	
	Compliant
Comments	Many examples of collaborative working, some of those examples are included below.
Evidence	<p>(1) Community Action Derby – grant to deliver various projects. One Project is the employability and community project on behalf of DH, across the city. Another project is the free Volunteer Action Pass, and a project to help upskill single parents so they are better equipped to secure employment.</p> <p>(2) DACP - to deliver funding to worthwhile causes and projects that benefit communities across Derby. Examples include TOGS – a clothes bank project providing second-hand school uniforms to children, a befriending community café for men with mental health and other challenges, and a local church which provides an annual trip to Skegness for its users.</p> <p>(3) DCC - Minute 21/83 Grant application for DCC – Rough sleepers' accommodation successful Grant submission for ex-offender accommodation submission for DCC</p> <p>(4) Employability projects x3</p> <p>(5) Office of the Police & Crime Commissioner - Minute 21/46 safe place</p> <p>(6) Public Health England - Minute 21/83 substance misuse</p> <p>(7) Derby University - Minute 21/83 next steps accommodation programme</p> <p>(8) Private rented sector landlords - Minute 21/83 237 positives PRS placements</p> <p>(9) Council, police, victim support - Minute 21/116 ASB road shows</p> <p>(10) Lionel Massingham Partnership award - 2021 award to Wilson St Surgery 21/01 AGM</p> <p>(11) The Customer Engagement and Community Development team manage 22 community rooms across the city, with over 100 diverse community groups and outside agencies using the spaces to run activities, clubs and outreach services which impact positively on tenants and residents living in Derby.</p>

2.4 The chief executive: the organisation has a chief executive, or equivalent, with the delegated authority to oversee and manage operational delivery of the strategies set by the board.	
Compliant	
Comments	Managing Director
Evidence	Job description, person specification and Governance arrangements

(1) The responsibilities of, and delegations to, the chief executive are clearly set out.	
Compliant	
Comments	Delegation of Authority in the governance arrangements sets out the Scheme of Delegations in detail.
Evidence	Governance arrangements
Action needed	Review of Governance documents in accordance with policy review schedule.
Action for	Finance Director and Head of Governance
Action by	In accordance with review schedule.

(2) The chief executive has a formal contract of employment; this and the remuneration under it are reviewed regularly, with independent advice as required.	
Compliant	
Comments	Executive pay has been reviewed 2017.
Evidence	Governance Committee paper on executive pay December 2017.

(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.	
Compliant	
Comments	The 2017 review refers to these issues.
Evidence	Governance Committee paper on executive pay December 2017

(4) If the chief executive's contract is to be determined, any extra contractual severance payments or benefits are approved by the board with the reasons, costs, and reputational risks clearly minuted	
Compliant	
Comments	Not happened to date. However, any payment under the Leaving work policy are considered/ approved by the Governance Committee
Evidence	Leaving work policy 29 April 2021 Update to policy minute 20/14 Governance committee
Action needed	Review Policy
Action for	Finance Director
Action by	In accordance with policy review schedule

(5) There is a formal process for the chief executive's annual appraisal, overseen by the board or an appropriate committee.	
Compliant	
Comments	Formal process in place - Main Board and Delegation to Chair of the Board
Evidence	Board Minute 21/89 – MD's Targets and appraisals process 2021/22. Management delegated to chair of the Board Minute 21/167 - The Chair and Vice Chairs carried out the Managing Director's mid-year review of targets and agreed substantial progress had been made on all targets.
Action needed	The Managing Director will also update the Board throughout the year on progress against the target work areas.
Action for	Managing Director & Chair of the Board
Action by	21/22 financial year and then year end

2.5 Workforce: the board ensures that its workforce policies and practices support the success of the organisation and reflect its values and its commitments to equality, diversity, and inclusion.	
Compliant	
Comments	JCC Joint Consultative Committee (Board, Trade Union, and Management meeting) 3 times a year to discuss work force matters.
Evidence	Personnel Policies - 3-year policy reviews Equalities Forum Board Lead on Equalities

(1) The board has access to insight into the views of staff, such that their opinions and needs are understood, and influence the board's decisions as appropriate	
Compliant	
Comments	Yes
Evidence	JCC see above (2.5) Minute 21/101 - board received draft minutes of the joint consultative committee Annual report on equalities - Derby Homes equalities report Board Minute 21/50 – Diversity Forum and Annual workforce equality report

(2) The board determines a strategy for remuneration of the workforce which is aligned to the organisation's size and complexity, and to its purpose and values.	
Compliant	
Comments	Adoption of the NJC and trade standard remuneration scales other than for executives.
Evidence	NJC and Craft Trade pay scales.

(3) The board has policies on the safety and wellbeing of its workforce and reviews their effectiveness.	
Compliant	
Comments	Stored on controlled documents.
Evidence	Health and safety policy Wellbeing initiatives Included in feedback surveys Assessments in place (known risks) Access to Support and wellness services independent of DH.

2.6 Performance: the board has demonstrable oversight of the organisation's performance.	
Compliant	
Comments	Reviewed at Operations board and main board
Evidence	21/178 – board provided update on the City's Health and Wellbeing Board development sessions, at which Derby Homes is represented by the Director of Housing Services. Minute 21/87 - Q1 performance management report DH Board Minute 21/00 - performance management q4 2021/21 – measured reported to DCC & ops Board. Performance statistics are published by the council's performance team and systems Board received performance management information for Q2 Minute 21/66 25 March 2021. Minute 22/31 - Q2 Performance data Minute 21/67 25 March 2021 Housemark report 2019/20 - report on Derby Homes' cost and performance information as detailed in the Housemark cost and performance benchmarking report 2019/20.

(1) The board exercises active and regular oversight of delivery of strategies and plans. This includes scrutinising key operational and finance performance information, and information concerning resident insights and satisfaction.	
Compliant	
Comments	Lots of data is provided especially around the performance and finance including resident satisfaction

Evidence	<p>(1) Finance - Minute 21/44 – finance update including pension fund deficit and covid impact & treasury policy to reduce maximum balance held in bank. Minute 21/176 – finance update</p> <p>(2) Performance - Minute 21/147 Financial monitoring at the end of September (Quarter 2)</p> <p>(3) Customer survey Q4 report considered at Operational Board.</p>
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(2) The board has assurance that the reports it receives provide an accurate picture of performance.	
Compliant	
Comments	Compliance statistics were one of the areas where external assurance was taken.
Evidence	<p>Savills Audit</p> <p>Internal audit reports are required for any areas of concern to management on data. Performance reporting is handled by the council independently from Derby Homes.</p>

2.7 Group structures: organisations with subsidiaries ensure that these entities support and enhance delivery of the group parent's mission.	
NOT APPLICABLE	

2.8 organisations that set up joint ventures or partnership vehicles with external counterparties ensure that these are in support of their mission and objectives.	
Not applicable	

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		Compliant
Comments	(1) Annual review of pervious years compliance (2) Feedback from committees	
Evidence	(1) This review to go to governance committee November 2022 and board November 2022. (2) Minute 21/39 (audit and Operational Board feedback), Minute 21/74 (Governance Committee feedback) Minute 21/65 Audit committee and Operational Board feedback. Minute 21/99 Audit and Governance committee feedback Minute 21/110 chairs feedback Audit and operational board. 21/129 chairs feedback audit and operational board 21/05 Annual report – chairs feedback of audit committee 21/07 report of chair of operational board 21/141 report of chair of Governance & operational Board. Minute 21/161 – feedback from Governance and Operation Board. Minute 21/171 committee chairs feedback Audit and governance committees. Minute 22/4 chairs feedback from audit & operational Board 22/45 BM attendance at NHA conference	

Compliance: from principle to practice		
3.1 Roles and responsibilities: 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.		
		Compliant
Comments	The Governance arrangements clearly set out roles and responsibilities.	

(1) The board elects or appoints a chair with appropriate skills to be responsible for leading the board and ensuring its effectiveness.	
Compliant	
Comments	The is done at the first meeting after the AGM.
Evidence	Minute 21/132 election of chair to preside for confirmation of the chair. Minute 21/133 confirmation of chair – Mike Ainsley appointed as chair 2020 – board confirmed as chair until the AGM 2022. Minute 21/134 - The Board appointed Bob MacDonald, Tenant Board Member, and Lucy Care, Councillor Board Member, as Vice Chairs of Derby Homes until the AGM in 2022.

(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.	
Compliant	
Comments	Governance arrangements clearly set this out.
Evidence	Governance arrangements

(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	
NOT APPLICABLE	

(4) The roles of chair of the board and standing committees (and those of vice chair or senior independent director as applicable) are not held by an executive	
NOT APPLICABLE	

(5) Executives are not members of the committees responsible for nominations, remuneration or audit.	
NOT APPLICABLE	

(6) There is a clear, documented framework setting out delegations to staff, committees, and subsidiaries.	
Compliant	
Comments	Governance documents
Evidence	Scheme of delegation Governance Committee minute 21/06 reviewed Standing Orders for Conduct of Derby Homes Board and General Meetings Appointment and Recruitment of Board Members Operational Board Constitution

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:	
Compliant	
Comments	Governance documents Scheme of delegations

(1) Setting and ensuring compliance with the values, vision, mission, and strategic objectives of the organisation, ensuring its long-term success;	
Compliant	
Comments	Governance documents Scheme of delegations

(2) Establishing a culture that is positive, focused on the needs of current and future residents, other customers, and other key stakeholders, and embeds equality, diversity, and inclusion in the organisation;	
Compliant	
Comments	See section on equality and diversity above
Evidence	Diversity plans policies, policies, reporting structures, equalities forum, reports, governance arrangements, mission, and values

(3) Ensuring the organisation operates effectively, efficiently, and economically;		
		Compliant
Comments	Annual reports using Housemark and other sources which go to the board and operational board as well as the formal accounts Internal audit External audit Audit committee	
Evidence	Sub committees	

(4) Providing oversight, support, direction and constructive challenge to the organisation's chief executive and other executives;		
		Compliant
Comments	Regular discussions at board meetings. Monthly briefings with the chairs and/or the vice chairs of the board. Committee level challenges to reports. Approval of the board is required on significant spends.	

(5) Appointing and, if necessary, dismissing the chief executive;		
		Compliant
Comments	Governance arrangements	

(6) 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;		
		Compliant
Comments	See above and below.	
Evidence	Budget scrutiny day held in advance of the meeting where the budget is set. The accounts are scrutinised by external audit and then the audit committee before board approval. Minute 21/180 – HRA business plan and rents 2022/23 - The Board considered a report on the Council's HRA Business Plan and rent and service charges for 2022/23.	

(7) Establishing, overseeing, and regularly reviewing a framework of delegations to committees and staff.	
Compliant	
Comments	Scheme of delegation
Evidence	Reviewed on 3-year cycle in accordance with policy review programme.

(8) Establishing and overseeing control and risk management frameworks in order to safeguard the assets, compliance, and reputation of the organisation.	
Compliant	
Comments	Audit Committee scrutiny recommendation to the board each year on risk management
Evidence	<p>(1) Strategic and operational Risk Register oversight</p> <p>Minute 21/61 Board meeting 25 March 2021. Board considered Q3</p> <p>Minute 21/62 Board meeting 25 March 2021. Report presenting the proposed revised strategic and operational risk registers for 2021/22. The registers were compiled after consideration of outputs from the risk review and refresh held on 14 January 2021. The revised registers were considered and consider recommendations proposed by Audit Committee on 22 February 2021.</p> <p>Minute 21/96 -. Board considered Q3 updates 2020/2021</p> <p>(2) Internal controls report Minute 21/118 - The Board noted the report and approved the statement on internal controls assurance within the Report of the Board of Management and Strategic Report on the financial statements for the year to 31 March 2021.</p> <p>Minute 21/160 – Strategic and operational risk registers 2021/22 Q1 (as at 30 June) noted a new risk had been added to the Strategic Risk Register on private rented housing sector, as requested by the Council.</p> <p>21/192 - Strategic & Operational Risk Registers Q2 2021/22 - The Board considered a report on the effectiveness of Derby Homes' risk management arrangements and a snapshot of the strategic and operational risk registers as of 30 September 2021.</p> <p>The Board noted</p> <p>(a) the Strategic Risk Register (risks SR01 to SR09)</p> <p>(b) the Operational Risk Register (risks OR01 to OR12).</p>

(9) Holding to account the organisation's subsidiary boards, committees, and senior staff for the exercise of any powers delegated to them.	
Compliant	
Comments	The constitution of committees is regularly reviewed
Evidence	<p>Feedback from committees to main board</p> <p>(1) Minute 21/39 (audit and Operational Board feedback), Minute 21/74 (Governance Committee feedback)</p> <p>Minute 21/65 Audit committee and Operational Board feedback.</p> <p>Minute 21/99 Audit and Governance committee feedback</p> <p>Minute 21/110 chairs feedback Audit and operational board.</p> <p>21/129 chairs feedback audit and operational board</p> <p>21/05 Annual report – chairs feedback of audit committee</p> <p>21/07 report of chair of operational board</p> <p>21/141 report of chair of Governance & operational Board.</p> <p>Minute 21/161 – feedback from Governance and Operation Board.</p> <p>Minute 21/171 committee chairs feedback Audit and governance committees.</p> <p>Minute 22/4 chairs feedback from audit & operational Board</p> <p>22/45 BM attendance at NHA conference</p>

3.3 Board composition: board members have the attributes and time needed to govern effectively, and each member exercises independent judgement in doing so.	
Compliant	
Comments	<p>A Skills matrix is maintained.</p> <p>Independent judgement is a required attribute in board members code of conduct</p>

(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.	
Compliant	
Comments	This is a matter for Derby City Council as the sole shareholder.
Evidence	Change from 15 to 9 board members in 2013

	21/154 – appointment to committees 2020/2021 1. Audit Committee Members: Charlene Bhurton, Lucy Care, Iain MacDonald 2. Chair of Audit Committee: Iain MacDonald 3. Derby Homes representative on CMAP Board: Iain MacDonald 4. Chair of Governance Committee: Jsan Shepherd 5. Operational Board Members: Lucy Care, Bob MacDonald, Jsan Shepherd
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(2) The board has between five and 12 members, including and co-optees and executive members.	
Compliant	
Comments	Nine Board Members
Evidence	Three tenant, three councillor and three independent board members. Constitution

(3) Executive board members, if appointed, are in a minority on the board and in the quorum for a board meeting.	
Not applicable	
Comments	No executive members

(4) There is a dedicated senior board member (normally a vice-chair or senior independent director) with duties that include appraisal of the chair and assisting the chair to ensure the effectiveness of the board.	
Compliant	
Comments	All Members appraise chair / committee chairs and each other. The vice chairs are responsible for the appraisal of the chair.
Evidence	2 year cycle – one year the chair and vice chairs are appraised and the following year all board members. Board Minute 21/53 25 March 2021 The Board considered the proposed arrangements for Board Member appraisals. The appraisals will ensure Derby Homes complies with the National Housing Federation Codes of Governance, 2015 and 2020, and the process will commence in June, followed by virtual meetings with the Chair, and conclude by the AGM.

	21/181 – Board member appraisals from report considered at away day
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3.4 Board election, selection, and appointment: the board has a diverse membership with the collective skills and attributes needed to govern effectively.	
	Compliant
Comments	Skills matrix shared with the appointment panel and councils for DCC appointments Panel has expertise and access to officers in the recruitment process
Evidence	<p>Minute 21/54 Recruitment and selection of BM 25 March 2021 – appointments panel appointed for Board and Operation Board</p> <p>1. Minute 21/79 - Appointed Lucy Care as a Vice Chair of Derby Homes, Noted the reappointment of Independent Board Member Mike Ainsley and Tenant Board Member Jenn Layton Annable for a further period of 3 years & noted the appointment of Tenant Operational Board Members Natasha Cover, Kevin Ellaway and Sarah Mason.</p> <p>2. Minute 21/03 Reappointment of BMs. Jenn Layton Annable, Tenant Board Member and reappointment of Mike Ainsley, Independent Board Member until the AGM 2024</p> <p>Minute22/51 - seeks approval for the recruitment/ reappointment of Derby Homes Tenant and Independent Board Members. If successful at interview, approved that Iain MacDonald and Charlene Bhurton can be reappointed for a further 3-year term of office. Iain Macdonald's appointment would be beyond the maximum term of office</p>

(1) The board understands, states, and regularly reviews the collective skills and attributes it requires to be effective.	
	Compliant
Comments	Skills matrix Reviews
Evidence	See above

(2) Prospective board and committee members undergo an open and merit-based assessment process to establish their suitability. 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.	
Compliant	
Comments	Whilst this applies fully to tenant and independent board members, those nominated by the Council are not subject to any vetting by the board. We ensure we submit our skills matrix to the council to assist with their selection and see if there are any gaps that might be addressed.
Evidence	Whilst the board's constitution recognises the council has a right to nominate a third of the board members the induction process undertaken for all new members ensures there is a need for an independent approach to Derby Homes matters. It is also open to the board to reject any member that it regards not to have the necessary attributes and qualities.

(3) The membership of board and committees comprises people with diverse backgrounds and attributes, having regard to the diversity of the communities the organisation serves and in line with the organisation's stated commitments to equality, diversity, and inclusion.	
Compliant	
Comments	Within the constraints above, the board appointments whilst based on merit have attempted to balance the board composition wherever possible.
Evidence	Diversity monitoring

(4) People with direct lived experience of (or particular insight into) the communities served by the organisation are meaningfully engaged in governance structures.	
Compliant	
Comments	with the inclusion of tenants on the main board and the majority of the composition of the operations we achieve this aim.
Evidence	1/3 of the tenants on the main board are tenants. Majority of the operational board are tenants

(5) Shareholders who are not board members are supported and informed to play their proper constitutional role in the organisation's governance and in particular in the election of board members.	
Compliant	

(6) The organisation annually publishes information about the appointment of new board members, and about the diversity, skills, and attributes of all the board members.	
Compliant	
Comments	Each board member has a summary on the website
Evidence	Our accounts detail all our board members during that financial year Details of our board members are registered at Companies House Spring 2021 Article "Who are the Board". Board member profiles on CMIS.

3.5 Committees: committees are established where the board determines that they will enable it to exercise more effective scrutiny, control, or oversight of areas of the organisation's activity.	
Compliant	
Comments	Various committees
Evidence	Audit Governance Operational

(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.	
Compliant	
Comments	Board feedback.
Evidence	Minute 21/88 – review of governance arrangements Standing orders for conduct of Derby homes board and general meetings Operational board constitution Terms of reference

(2) The membership of committees is determined on the basis of the skills, attributes, and diverse characteristics which the board determines are appropriate.	
Compliant	
Comments	Yes, where possible and using skills matrix.
Evidence	Audit – experience of relevant discipline is helpful. Governance – experience of relevant experience is helpful. Ops board – majority of tenants with broad experience as well as three main board members
Action by	

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:	
Compliant	
Comments	Committee taking advice from the council on external advice if required.
Evidence	Nov 21 Governance Committee agreeing to link Remuneration of Board Members to annual Local Government Pay Awards

(1) Permitted by law and by the organisation's own constitution;	
Compliant	
Comments	Yes
Evidence	Board Approvals

(2) Agreed by the board as being in the best interests of the organisation;	
Compliant	
Comments	yes
Evidence	Board approvals

(3) Aligned with the organisation's social purpose and wider reputation;	
Compliant	
Comments	Yes
Evidence	Board approvals

(4) Proportionate to the organisation's size, complexity, level of risk and resources;	
Compliant	
Comments	Yes
Evidence	Comparators made when establishing the scheme, no changes since the original scheme was applied other than to add the governance committee chair to paid officers

(5) Linked to the role's responsibilities, against which performance is reviewed;	
Compliant	
Comments	Yes
Evidence	Only the chair and vice chairs are paid as well as the chairs of sub committees. No payment is made to counsellors

(6) Regularly reviewed, drawing on external advice as necessary;	
Compliant	
Comments	Yes
Evidence	Reviewed Governance committee 2019 & Board 2018 also see 3.6

(7) Disclosed in the organisation's annual financial statements.	
Compliant	
Comments	Yes
Evidence	Annual Financial Statements – requirement to disclose details in notes to the accounts

3.7 Tenure and renewal: tenure for non-executive board members (and independent committee members) complies with the organisation's constitution and is managed to enable the organisation to achieve an appropriately skilled, diverse, and independent board membership.	
Compliant	
Comments	Yes
Evidence	In accordance with Derby Homes constitution

(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.	
Compliant	
Comments	The Board appoints an appointments panel who are made aware of the overall skills matrix and if any gaps.
Evidence	Skills matrix, appoints panel

(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 performance and skills, and the needs of the board.	
Compliant	
Comments	The board tightened their own renewal each three years by requiring an open recruitment each time.
Evidence	Constitution and the board resolution - renewal is subject to a recruitment process. An example - Minute 21/54 - Agreed that Mike Ainsley can be reappointed for a further 3-year term of office beyond the maximum term of office, if successful at interview.

(3) Maximum tenure will normally be up to six consecutive years (typically comprising two terms of office), but where a member has served six years, and the board agrees that it is in the organisation's best interests, their tenure may be extended up to a maximum of nine years.	
Non-Compliant	
Comments	The Derby Homes constitution limits the terms nine years in line previous code, however, allows for further extension with board approval. This has been a consistent noncompliance with the previous NHF code and also will remain so with this one. The board's view is that the six years is too short for a maximum tenure and nine years would remain. The provision of open recruitment competition at each three-year cycle is sufficient to ensure that membership is set for the organisation's best interests. With a limited membership and with thirds from tenants, councillors and independent board members longer periods up to nine years and sometimes beyond are beneficial in maintaining the appropriate skills mix.
Evidence	
Action needed	continued noncompliance explanation for those members exceeding nine years

(4) A member who has left the board is not re-appointed for at least three years.	
Non-Compliant	
Comments	The council has the right to appoint members on annual basis. It would be possible for member to leave the board one year and returned the next whilst this hasn't happened it could.
Evidence	
Action needed	Noncompliance explanation will be necessary. previous requirement was for non-reappointment for a whole cycle which for counsellors was one year and therefore compliant.

(5) These provisions concerning tenure apply to office held across all of the organisation's boards and committees, and those of predecessor organisations, including service as a co-optee.	
Non-Compliant	
Comments	Dennis Rees OBE has been appointed on a lifetime basis to the operational board to reflect his long service and extensive knowledge of both Derby Homes and the housing sector.
Evidence	Operational board arrangement for Dennis Rees.
Action needed	Non-compliance statement required

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.	
	Compliant
Comments	Board papers
Evidence	CMIS Minutes

(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.	
	Compliant
Comments	There are currently 2 officers registered at Companies House as Company Secretaries
Evidence	Companies House website

(2) Board and committee meetings are quorate.	
	Compliant
Comments	Board minutes
Evidence	CMIS

(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.	
	Compliant
Comments	Agendas circulated in advance of meetings
Evidence	CMIS – papers are circulated 9 days in advance allowing a clear week to review papers. Also, papers are now “digital” negating any delay in postage.

(4) Urgent decisions between board meetings are taken in accordance with predetermined and formally recorded arrangements.	
Compliant	
Comments	Long established & working practice when necessary.
Evidence	Urgent actions enshrined in governance documents. Urgent actions - decisions are recorded at the next board meeting and approved by the two Vice chairs or the chair and a vice chair.

(5) Meetings are fully inclusive and accessible, with adjustments made as necessary so that all members are able to attend and participate.	
Compliant	
Comments	Any requests for support are positively responded to.
Evidence	An example being the payment of childcare invoices.

(6) Where meetings are conducted remotely, arrangements are made and support provided so that all members can fully participate and contribute.	
Compliant	
Comments	Arrangements in place to facilitate participation
Evidence	Teams, skype and YouTube are used for board meetings. IT equipment is provided, papers are available digitally and can be fully annotated. Where there is a barrier to digital first, hard papers copies are provided.

(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.	
Compliant	
Comments	Enshrined within governance documents
Evidence	Disciplinary policy, code of conduct and members services agreement.

3.9 Board performance, review and learning: the board reviews and seeks to improve its performance.	
	Compliant
Comments	Detailed in the sections below
Evidence	See below – we also have an induction process, e-learning, self-assessments, away days, training and board reviews.

(1) All boards and committees consider their effectiveness annually and assess how they conduct their business, including their:	
	Compliant
Comments	Annual effectiveness review at board level.
Evidence	Governance Committee minute 21/07 Governance and viability Statement and NHF code of governance self-assessment (29 April 2021).

(a) Composition, skills, experience and diversity;	
	Compliant
Comments	Skills matrix updated with each change of membership. Diversity reported in NFA survey.
Evidence	Questioned the question base in NFA survey and asked for the inclusion for non-binary options to some questions which only provided a male or female option.

(b) Effectiveness in role-modelling the desired culture, values and behaviours of the organisation;	
	Compliant
Comments	The track record of board members in role modelling the culture, values and behaviours of the organisation has been consistent for many years.
Evidence	No formal action taken in relation to board members.

(c) Governing instruments, delegations, regulations, standing orders, structures, systems and other formal documentation as referred to in this code;	
	Compliant
Comments	Reviews

Evidence	Rules and polices reviewed every three years. They are reviewed at lesser intervals if there is a change in legislation or strategy.
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(d) Timing and frequency of meetings	
	Compliant
Comments	Set at the AGM/ meeting following the AGM for the year.
Evidence	Convention is last Thursday of the month unless there is a clash with Council meetings.

(e) Format of agendas, quality and scope of papers, minutes and communications;	
	Compliant
Comments	Agendas follow a forward plan.
Evidence	Papers checked by managers. The minutes are agreed and checked by the board. Board members are given the opportunity to ask questions of the board prior to the board meeting.

(f) Effectiveness of decision-making, including how the views and needs of key stakeholders, including residents and other customers, have informed decisions;	
	Compliant
Comments	Strong track record in this regard.
Evidence	Lived experience of tenants and residents is a key feature of the Derby Homes structure with 33% of board members being tenants. We have a majority of tenants make up the operational board. The views of the equalities forum, resident surveys, and scrutiny via many routes. There is oversight by the council. We also deal with Councillor and MP enquires.

(g) Compliance with this code and legal duties	
	Compliant
Comments	Self-assessment assurance on compliance
Evidence	Self-assessment against code undertaken annually. Inclusion of statements in annual accounts.

(2) These matters are regularly and formally reviewed.	
Compliant	
Comments	See above.
Evidence	Report to board on board effectiveness.

(3) All new board and committee members receive a full induction.	
Compliant	
Comments	Induction process and E-learning
Evidence	Induction process and E-learning.

(4) All members have an agreed programme of ongoing learning and development opportunities, including to address needs identified through the appraisal process.	
Compliant	
Comments	E-learning and regular training provided.
Evidence	Regular training offered through an annual programme including external speakers.

3.10 Member appraisal: A full, rigorous and documented appraisal process for the individual members of the board and its committees, including the chairs, is carried out at least every two years.	
Compliant	
Comments	
Evidence	Chair, vice chairs and committee chairs every two years All board members every year between the above.

(1) The appraisal of the board's chair is led by a senior board member, informed by the views of all board members.	
Compliant	
Comments	As above
Evidence	Minute 22/50 Board Member training and appraisals 2022

(2) There is an appropriate process for responding to under-performance by individual board members, and to any conduct which may breach policies or codes.	
Compliant	
Comments	Various mechanisms
Evidence	Code of conduct, services agreement and disciplinary process

3.11 Compliance with this code: a compliance statement is published with the annual report, with an explanation given for any non-compliance.	
Compliant	
Comments	See previous accounts
Evidence	We have consistently reported a compliance statement in our accounts for the 2015 code and will continue to do so under the 2020 code.

(1) Where the formal constitution of an organisation conflicts with the code, the constitution takes precedence.	
Compliant	
Comments	Constitution overrides the 6-year tenure for board members.
Evidence	Governance documents, accounts and board reports.

(2) Where a statement of non-compliance is needed it sets out:	
Compliant	
Comments	See below

(a) The reasons for non-compliance, and an explanation of how the relevant principle in this code is being upheld; and	
Compliant	
Comments	Included in this review and the finals accounts
Evidence	This review and final accounts

(b) Summary plans for the achievement of compliance, if applicable.	
	Compliant
Comments	Included in this review and the finals accounts
Evidence	This review and final accounts

(3) Where an organisation has subsidiaries which have not adopted this code, the reasons for this are given.	
	NOT APPLICABLE

(4) All policies, documents and statements referred to in this code are formally recorded as appropriate and are regularly reviewed.	
	Compliant
Comments	Review schedule
Evidence	Board reports on CMIS

Principle 4: Control and assurance	
The board actively manages the risks faced by the organisation, and obtains robust assurance that controls are effective, that plans and compliance obligations are being delivered, and that the organisation is financially viable.	
	Compliant
Comments	Well established processes, refined to align with Council approach (2019).
Evidence	Minute 22/57 Operational & strategic risk registers 22/23 Update to board of effectiveness - snapshot of strategic and operational risks at Dec 2021. Minute 22/58 Strategic & operational risk registers q3. - proposed strategic and operational risk registers for 2022/23. The registers have been compiled after consideration of outputs from the risk review and refresh held on 3 February 2022 and were considered by Audit Committee on 7 March 2022

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.	
Compliant	
Comments	External Audit and internal audit
Evidence	Minute 21/04 the reappointment of the current external auditors – BDO LLP for the year 2021/22. HOWEVER, following the withdrawal by BDO we have engaged Crowe as our new external auditors.

(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.	
Compliant	
Comments	CMA Performance data compiled by DCC performance team HouseMark benchmarking
Evidence	3 x independent forms of reassurance. Examples include Minute 21/67 Housemark report 2019/20 DH cost & performance benchmarking

(2) There is a committee primarily responsible for audit, and there are arrangements for effective internal control assurance and audit functions.	
Compliant	
Comments	Audit committee
Evidence	Audit committee agendas and minutes

(3) The organisation's external auditors are independent and effective, and their appointment is reviewed at least every six years.	
Compliant	
Comments	External Auditors appointed
Evidence	Minute 21/04 the reappointment of the current external auditors – BDO LLP for the year 2021/22. Then the appointment of Clowes when BDO resigned.

4.2 Audit committee: a committee exercises independent scrutiny and challenge to provide the board with assurance.	
	Compliant
Comments	Audit committee
Evidence	Board membership and extension to operational board members allows for an effective audit committee

(1) The committee responsible for audit meets regularly and its minutes are available to the board.	
	Compliant
Comments	<p>Scheduled meetings</p> <p>Feedback to board</p> <p>Minute 21/06 - Report of the Chair of the Audit Committee to Members during past year</p> <p>(1) Minute 21/39 (audit and Operational Board feedback), Minute 21/74 (Governance Committee feedback)</p> <p>Minute 21/65 Audit committee feedback.</p> <p>Minute 21/99 Audit committee feedback</p> <p>Minute 21/110 chairs feedback Audit.</p> <p>21/129 chairs feedback audit</p> <p>21/05 Annual report – chairs feedback of audit committee</p> <p>21/07 report of chair of operational board</p> <p>Minute 21/171 committee chairs feedback Audit and governance committees.</p> <p>Minute 22/4 chairs feedback from audit & operational Board</p>
Evidence	committee meets three times a year. The audit committee chair reports back to the main board following each audit committee meeting.

(2) The committee exercises oversight of the internal and external audit functions.	
	Compliant
Comments	Compliance is achieved
Evidence	Appointment of internal and external audit is made by audit committee.

(3) The committee annually meets with the external auditors with only non-executives present.	
Compliant	
Comments	Compliance is achieved
Evidence	Requirement to meet a minimum of once a year. Attendance at other audit meetings is also achieved when requested.

(4) The chair of the committee is a member of the board and regularly reports to it.	
Compliant	
Comments	Main Board member is chair.
Evidence	<p>Minute 21/06 - Report of the Chair of the Audit Committee to Members during past year</p> <p>(2) Minute 21/39 (audit and Operational Board feedback), Minute 21/74 (Governance Committee feedback)</p> <p>Minute 21/65 Audit committee feedback.</p> <p>Minute 21/99 Audit committee feedback</p> <p>Minute 21/110 chairs feedback Audit.</p> <p>21/129 chairs feedback audit</p> <p>21/05 Annual report – chairs feedback of audit committee</p> <p>21/07 report of chair of operational board</p> <p>Minute 21/171 committee chairs feedback Audit and governance committees.</p> <p>Minute 22/4 chairs feedback from audit & operational Board</p>

(5) The membership of the committee includes at least one person with recent and relevant financial experience, proportionate to the size and complexity of the organisation.	
Compliant	
Comments	This is commensurate with the size and complexity of the organisation and the limited number of members. The board has adequate financial experience and access to officers.
Evidence	The membership includes a former Chief Executive and member of the Councils audit committee.

4.3 Risk: the board retains ultimate responsibility for risk management and ensures that appropriate risk management arrangements are in place.	
Compliant	
Comments	Ultimate responsibility retained by the main board.
Evidence	The main board approves risk registers after scrutiny from the Audit committee. Regular reports updating the position.

(1) The board may delegate the detailed scrutiny and evaluation of risk to a committee.	
Compliant	
Comments	Scrutiny is delegated to a sub committee
Evidence	The Audit 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.	
Compliant	
Comments	A risk management framework is in place
Evidence	<p>Risk registers – strategic and operational, which include mitigations and controls as well as risk appetite.</p> <p>(1) Strategic and operational Risk Register oversight</p> <p>Minute 21/61 Board meeting 25 March 2021. Board considered Q3</p> <p>Minute 21/62 Board meeting 25 March 2021. report presenting the proposed revised strategic and operational risk registers for 2021/22. The registers were compiled after consideration of outputs from the risk review and refresh held on 14 January 2021. The revised registers were considered and take into account recommendations proposed by Audit Committee on 22 February 2021.</p> <p>Minute 21/96 -. Board considered Q3 updates 2020/2021</p>

(3) The board establishes and documents its appetite for the risks the organisation faces in pursuit of its strategy.	
Compliant	
Comments	The risk appetite is documented
Evidence	Risk registers – strategic and operational, which include mitigations and controls as well as risk appetite. See 4.3(2) above

(4) The board ensures that the organisation is resilient to the risks it may face, with appropriate mitigations and a suitably comprehensive, tested and up-to-date business continuity plan.	
Compliant	
Comments	Business Continuity plans in place
Evidence	Reviewed at officer level. Used as part of covid pandemic (adapted the flu pandemic scenario).

(5) The board includes members with skills and experience appropriate to the level and type of risks faced by the organisation.	
Compliant	
Comments	A good balance with the nine members
Evidence	Background of independent members is varied and includes direct housing management and senior leadership roles in previous careers.

(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.	
Compliant	
Comments	No subsidiaries
Evidence	Risk registers – strategic and operational, which include mitigations and controls as well as risk appetite. Quarterly reports on risk registers

(7) The board regularly participates in stress-testing of its plans, to identify the risks (or combination of risks) that may pose a material threat to the viability of the business and ensure that appropriate mitigations are in place.	
Compliant	
Comments	Stress testing takes place as part of the going concern testing on the company's cashflow forecast and reviewed by the External Auditors. Additionally, a "stress test" on the annual budgets is reported to Board as part of the annual budget setting paper in January.
Evidence	External Audit - Report to Audit Committee annually. Plus, annual Operational Budget paper to main Board in January.

(8) The organisation's annual report includes a statement about the risk management work of the board, including its understanding of principal and emerging risks and how these are being managed or mitigated.	
Compliant	
Comments	The statement covers risk management approach.
Evidence	Statement included within the "Principal Risks & Uncertainties" section of the Strategic Report within the annual financial statements.

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.	
Compliant	
Comments	The obligations are clearly set out in the company's standing orders
Evidence	Standing Orders
Action needed	Review Standing orders
Action for	Director of Finance/ Head of Governance scrutiny by Governance Committee Approval by Board
Action by	In accordance with Review Schedule
(1) The board has a robust internal control framework and has regular assurance about the effectiveness of key controls including controls to ensure compliance.	
Compliant	
Comments	Various reports prepared by external organisations
Evidence	CMAF reports (internal audit & ad hoc investigations) Performance reports Housemark - e.g. minute 21/67 report 2019/20 DH cost & performance benchmarking
Action needed	Continued reports
Action for	Director of finance & company secretary
Action by	Business as usual & via Audit committee (internal Audit)

(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 safeguarding.	
Compliant	
Comments	Assurance comes from various sources including but not limited to those examples given in the evidence section.
Evidence	<ul style="list-style-type: none"> (1) H&S updates – on compliance & H&S e.g., minutes 21/47, 21/10 & 22/49 (ROSPA Gold 16th consecutive year). (2) Big Six Compliance reports – e.g., Minute 21/82 - At the end of April 2021 all six areas had full compliance. & 21/149 100% compliance (3) ROSPA – e.g., minute 21/179 - 2021 RoSPA Occupational Health and Safety Awards, Derby Homes has received the RoSPA Order of Distinction Award for its health and safety performance in 2020 (4) External views on housing and safety – e.g., minute 21/146 - Chloe Fletcher or Eamon McGoldrick from the National Federation of ALMOs will be invited to attend to look at the Housing White Paper, Building Safely and other regulatory issues. (5) Updates to board minute e.g., 21/146 implementation of the amendments to the Fire Safety Order and the Government's actions on the recommendations from Phase 1 of the Grenfell Tower Inquiry.
Action needed	Continued reporting
Action for	Executive Team
Action by	Each Board Meeting

(3) The board publishes an annual statement setting out its approach to compliance and internal control.	
Compliant	
Comments	This is published with the Annual Accounts
Evidence	A statement of internal control is approved by the audit committee and then the Board

4.5 Whistleblowing and 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 non-executive member of the board (other than the chair), where these are serious concerns and cannot appropriately be raised through the usual channels, and for these to be dealt with through proportionate and independent investigation as necessary.	
Compliant	
Comments	Formal whistle blowing policy
Evidence	<p>Whistle blowing policy (2021-24) revised October 2021</p> <p>Extract of policy...</p> <p>5.6 If an employee believes that the whole of the line management is involved, there are a number of others they can contact. They include:</p> <p>5.6.1 The Managing Director of Derby Homes</p> <p>5.6.2 any Director</p> <p>5.6.3 any SMT Manager</p> <p>5.6.4 the Chair of Derby Homes</p> <p>5.6.5 the Chair of the Governance Committee</p> <p>Also, an independent whistleblowing line. (Free phone)</p> <p>Minute 21/183 – The Board considered recommendations from the Audit Committee arising from the meeting held on 18 October 2021 including the:</p> <ol style="list-style-type: none"> 1. Annual Fraud Plan 2021 2. Corporate Anti-Fraud Policy 2021-2024 3. Whistleblowing Policy 2021-2024 4. Depreciation Policy 2021-24 <p>The board approved the above</p>
Action needed	Review Policy October 2024
Action for	Finance Director & company secretary / Head of Governance and Corporate Services
Action by	October 2024

(1) The board ensures that appropriate whistleblowing policies and procedures are in place.	
Compliant	
Comments	See 4.5

(2) The board (or an appropriate committee) regularly receives an account of matters raised under these policies, and actions taken in response.	
Compliant	
Comments	Such matters would be discussed at audit committee/ Board and formally minuted.

(3) 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.	
Compliant	
Comments	This has not happened to date – however if such a matter could not be resolved it would be discussed at Board and formally minuted.



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GOVERNANCE AND FINANCIAL VIABILITY STANDARD CODE OF PRACTICE

April 2015

Governance and Financial Viability Standard code of practice

The role of the code of practice

- 1 This code of practice (the Code) is designed to amplify the requirements in the Governance and Financial Viability Standard (the Standard). It is designed to help registered providers¹ understand what the regulator is looking for when seeking assurance on compliance with the Standard. The Code clarifies the Standard by explaining and elaborating on the content, with illustrative examples where necessary. Registered providers should have regard to the Code when assessing their compliance against the Standard. In considering whether standards have been met, the regulator will have regard to the Code. It is therefore important that registered providers are familiar with its content. However, it is the Standard rather than the Code that the regulator can enforce against.
- 2 The regulator adopts a co-regulatory approach to its work. It sets both economic and consumer standards designed to help it to deliver its statutory objectives. Responsibility lies with the boards² of registered providers to meet these standards. The Code fits with the co-regulatory regime by allowing registered providers to innovate and develop their own approaches to achieve the outcomes and expectations set out in the Standard.
- 3 The Code does not elaborate on all outcomes and expectations set out in the Standard, only where the regulator believes that greater explanation will help registered providers. This does not indicate the relative importance of different elements of the Standard. Registered providers need to comply with the entire Standard.
- 4 Examples of how registered providers might achieve compliance are not intended to be exhaustive nor prescriptive. Should a registered provider comply with the requirements of the Standard in a different manner then it is free to do so. If there are any conflicts between the Code and the Standard, the Standard takes precedence.
- 5 The Code is structured so it follows the layout of the Standard. As such, the required outcomes in the Standard, which set out the high-level obligations on registered providers, are considered first followed by the specific expectations. The regulator intends to adopt a purposive approach to interpreting the Standard. This means the regulator will consider the purpose of including the outcomes and expectations in the Standard when assessing compliance with them.

¹ This document uses throughout the terms “profit making registered provider” and “non-profit registered provider” to refer to the two types of private registered provider designated in the 2008 Housing and Regeneration Act. For brevity the term “registered providers” is used where the reference is to both types of registered providers. Where used, this term excludes local authority registered providers. Where the document uses the term “the non-profit sector” this indicates both non-profit private registered providers and local authority registered providers.

² Throughout this Code references to registered providers' 'boards' should, where a registered provider does not have a board, be taken to include an equivalent management body as appropriate.

Required outcomes

Paragraph 1.1: governance required outcome

- 6 The required outcome for governance ensures the delivery of a registered provider's objectives, including being responsible holders and stewards of social housing assets. The regulator considers the reference to compliance with 'all relevant law' in the first bullet point encompasses legislation (including secondary legislation), and common law. In ensuring compliance registered providers should have regard to relevant statutory guidance. To meet the required outcome on adherence to all relevant law boards should take reasonable measures to assure themselves of their compliance.
- 7 The fourth bullet point concerns reputation. Reputation is key in maintaining confidence in the sector. The social housing sector has benefited from being part of a regulated sector with low lending rates combined with the availability of public investment. Registered providers should ensure that they manage their businesses and their risks in such a way that they do not negatively impact on the reputation of the sector.

Paragraph 1.2: financial viability required outcome

- 8 Registered providers should take all such steps as are reasonably necessary to ensure that any activities they undertake do not place social housing assets, activities relating to the provision of social housing or their own financial viability at undue risk. The regulator recognises that registered providers should have the flexibility to consider risks in light of their individual circumstances. Boards of registered providers have the responsibility to satisfy themselves and provide assurance to the regulator that:
 - they have considered the requirement appropriately in relation to their own external and internal operating environment
 - they are satisfied they will comply with regulatory requirements now and in the foreseeable future
- 9 Examples of what the regulator considers to be unacceptable outcomes resulting from social housing assets being put at undue risk are outlined below. These examples are not intended to be exhaustive but rather to give context to registered providers in considering the risks within their business:
 - loss of social housing assets and/or tenants losing their home or the benefits of being within a regulated sector due to lenders or others enforcing their security or insolvency
 - loss of social housing assets where the sale of those assets is the result of poor business planning and decisions or where the reason for the sale is to make good an unplanned cash shortfall
- 10 The regulator recognises every business decision will carry risk and sometimes those risks will crystallise. There is, however, a difference between managed risk and uncontrolled loss. The regulator expects boards to manage the business to promote the former and avoid the latter. In addition, the regulator does not intend that all social housing assets should remain in the sector for ever. However, the value in the assets

should not be lost to the sector. Under the Value for Money Standard, registered providers are expected to consider how to make best use of their assets.

Specific expectations applicable to all registered providers

- 11 The specific expectations set out in the Standard are obligations with which registered providers must comply. Registered providers must demonstrate compliance with **both** the required outcomes and the specific expectations in the Standard. This section of the Code will help registered providers understand what the regulator is looking for when considering compliance with the Standard.

Paragraph 2.1: expectations on the effectiveness of governance arrangements

- 12 Registered providers should demonstrate their actions are consistent with both the principles and relevant provisions of their code of governance and overall contribute to sound governance.
- 13 The regulator anticipates that an assessment of the effectiveness of governance arrangements may vary in terms of depth and scope in line with the internal and external environment within which the registered provider operates. Some parts of a governance review may be carried out to a different timescale than an annual review where this helps ensure the quality and effectiveness of the review. Where this is the case, the annual assessment of the effectiveness of governance arrangements should give assurance on the timescale and progress of work on these areas.

Paragraph 2.2: expectations on the management of registered providers' affairs

- 14 Paragraph 2.2 of the Standard complements the board's responsibilities to act lawfully and responsibly. Compliance will include both behavioural aspects, such as ensuring that the board and executive foster a culture of constructive challenge and debate, and good governance practices.
- 15 To ensure that registered providers have the requisite skills and capability to perform their functions, the regulator would expect them to:
- have an appropriate skills strategy to address the needs of the business
 - regularly assess whether boards and management have the right competencies, experience, and technical knowledge appropriate to the size, scale and risk profile of the organisation³
 - ensure that all material decisions are made with appropriate internal/external expertise or advice and should satisfy themselves of the impartiality of any support or advice

³ This should include the business it is currently involved in or is going to become involved in the future as well as the external operating environment.

- have plans to address any skills gaps identified (including through bringing in external skills), and such plans should be monitored to ensure that they are followed through
- 16 In order to determine the appropriate level of independence, registered providers should have regard to their adopted code of governance, relevant legal requirements, e.g. charity law and to their business model. In some businesses, influence is inherent in the corporate structure of the registered provider (for example a profit making registered provider which is a subsidiary of a group). In other cases, influence may not be inherent in the corporate structure but result from close associations the registered provider has with other organisations or individuals.
 - 17 In managing their affairs with an appropriate degree of independence, board members should exercise independence of judgement and act at all times in the best interests of the registered provider. There should also be appropriate mechanisms in place to manage any conflicts of interest to demonstrate probity and value for money.
 - 18 Registered providers should not be subject to undue influence from third parties that could reasonably be expected to lead to non-compliance with regulatory standards.

Paragraph 2.3: communication with the regulator

- 19 The regulator requires registered providers to tell it at the earliest opportunity about any material issues that indicate there has been or may be a breach of the standards. This might include, for example, material frauds, liquidity issues, breaches of lenders covenants or failures of governance. This transparency is a fundamental pillar of the co-regulatory approach.
- 20 In deciding what is material, registered providers should be mindful of the regulator's role in the consumer standards. The regulator may only intervene where there has been a breach of the standard which has, or may cause, serious detriment. In relation to the consumer standards registered providers are only obliged to disclose those matters which have or may relate to such a breach.

Paragraph 2.4: expectations about business planning, risk and control frameworks

- 21 Registered providers need to ensure their business planning, risk management and control framework is effective. It should cover all areas of the registered provider's business. This should demonstrate the registered provider fully understands and has considered its operating environment, so it can deliver its business plan and organisational objectives. It does not need to be captured in a single document.
- 22 Registered providers should have a clear understanding of their risk tolerances and ensure that they are appropriate to the scale and nature of the activities they are undertaking and their role as a registered provider. Registered providers should be able to identify the capital at risk from any investment activities, and ensure that investment is priced at such a level with a rate of return which is commensurate to the level of risk presented. Where a registered provider is a charity they should consider this alongside

their objects and duties under charity law. Registered providers should consider the potential aggregated impact of risks, as well as their impact at an individual level.

- 23 Registered providers should ensure that they have access to sufficient committed and available liquidity at all times. They should understand the timing of cash flows and any conditions for a drawdown so they can manage cash flow risk. This means registered providers should understand the receipts and outgoings of the business, for example, rental income, investment in existing stock, the costs of development, receipts from sales and other business, financing costs (loan capital and interest payments) and build sufficient prudence into their plans to cope with changes. In particular, boards should assure themselves that they put funding lines in place in sufficient time to cope with major cash outflows. Boards should ensure that they effectively identify and manage any risks of re-financing whether planned or in reaction to changes in the operating environment.
- 24 Registered providers should also look at the relationship between operational and capital cash flows. Non-discretionary expenses, including all major repairs (whether capitalised or not) and interest costs, should be met from operating income. When using capital income (for example, receipts from disposals) to meet operating expenses, boards should ensure there is a plan that ensures operating cash flows fully cover operating expenses in the future. While this is not the case, registered providers need a plan to ensure that exposures are managed.
- 25 Registered providers need to build their business on robust and prudent assumptions. Registered providers should assure themselves the assumptions used are reasonable. For example these may be based on:
 - past performance
 - market conditions
 - deliverability and forecasts of possible future conditions
- 26 The regulator expects these assumptions will be kept under review and updated in the light of changing circumstances. It is important that registered providers ensure their plan enables them to meet lenders' covenants. Registered providers need to ensure sufficient headroom to allow them to take remedial action if assumptions within the plan significantly change or (potentially) if they are not delivering against the plan.
- 27 The regulator expects registered providers to identify the impact of significant business decisions (for example, major changes in development appetite, a new major scheme, moving into a new business stream or taking on new sources of funding) on viability (including continued covenant compliance). It also expects registered providers to report these to the board and take remedial action where necessary. Registered providers should think about their covenants in the broadest sense (financial and non-financial), set target measures of financial performance which provide headroom over covenants, and ensure they monitor all covenants.
- 28 The boards of registered providers should also be aware of the risks posed where separate companies are in effect controlled by others (through common or shadow

directorships) and liabilities may be attributed to the registered provider putting social housing assets at risk. These risks should also be identified and mitigated.

Paragraph 2.5: expectations about risk management

- 29 Boards are the custodians of social housing assets and the financial viability of the registered providers that hold those assets. The responsibility for managing risks, and specifically risks to social housing assets, lies with boards. As social housing is a long term asset, normally funded by long-term debt, it follows that boards need to maintain a long-term perspective on managing risk. They need to ensure that their decisions do not put short-term gains ahead of the long term sustainability of the business and the security of their social housing assets.

Paragraph 2.5.a): expectations about assets and liabilities

- 30 The primary purpose of this requirement is to ensure that registered providers understand their housing assets and security position and have swift access to this information in decision making and risk management. Such information needs to be readily available in the event of a potential or actual failure of the registered provider. This will enable the regulator to draw up resolution strategies and aid a potential rescuer to value the social housing assets. The asset and liability register should contain sufficient information to enable a potential buyer to accurately price the value of the business and/or the value of the social housing assets in the event of distress.
- 31 It is for registered providers to ensure such information is accurate and up-to-date. They should be able to produce an overview for the regulator at short notice. The records need to cover the breadth of the registered provider's activities (including activities carried out in subsidiaries, joint ventures and SPVs) and identify its assets and liabilities. The regulator does not prescribe the format of such records. The approach taken is likely to vary according to the size and complexity of the registered provider. The regulator expects that a registered provider's board will oversee the maintenance of these records and that they are readily reconcilable and regularly reconciled.
- 32 Asset records should clearly identify social housing assets and where these assets are encumbered. Such records would normally include, but are not limited to, treasury arrangements, key contracts, title information and any restrictions on that title (for example planning obligations, charitable or other restrictions), valuations, stock condition and lender covenants.
- 33 Registered providers should consider and record their liabilities in the widest context. The regulator considers the liabilities should include items which relate directly to the social housing assets and those which might have an impact on the business as a whole. This may include, but is not limited to:
- loans including borrowing from other group companies or related undertakings
 - guarantees, indemnities etc. including those provided to subsidiaries and SPVs, whether secured or unsecured
 - leases, sale/lease and leaseback transactions
 - mark-to-market exposures on derivative positions

- cross default provisions (for example, a provision in a loan agreement which provides that a default on one loan agreement gives rise to a default on another one, including where these potentially cross between entities)
 - a duty or responsibility that obligates the entity to another, leaving it little or no discretion to avoid settlement⁴
 - the potential for any impairment particularly in relation to investments in non-core activities
- 34 Within group structures, boards should ensure they have full understanding of where liabilities exist between all entities (both registered and unregistered). This should include understanding of how a failure in one part of the group may affect other members of the group. Registered providers in a group should ensure they have an appropriate methodology to model and communicate the impacts of risks crystallising in one entity on other entities within the group, in particular where there would be recourse to social housing assets.

Paragraph 2.5 b): expectations on stress testing

- 35 The regulator expects registered providers, as part of their risk management approach, to stress test their plans against different scenarios across the whole group. The scenarios used will vary according to the size, type and structure of the organisation. Registered providers should go beyond simple sensitivity testing and include multi-variate analysis which tests against potential serious economic and business risks. Registered providers should explore those conditions which could lead to failure of the business, even if planned mitigations and controls are successfully implemented. They should assure themselves that the scenarios are consistent with what they consider to be acceptable levels of risk and their obligations. Stress testing should employ scenarios that are designed to assess resilience.
- 36 In designing the stress testing, boards should consider both the long term, cyclical nature of economic factors that impact on the business as well as internal business risks.
- 37 Two potential examples are offered by way of illustration:
- a) The board of a developing registered provider with a shared ownership and outright sale programme that is raising external debt will need to think about how key variables in the business plan would move during a housing market slowdown or crash. This would include, for example:
- what is happening to sale prices and volumes
 - how lenders would be operating in that market
 - the potential for impairment
 - what might be happening to variable rate debt and the costs of working capital
 - other costs of holding the asset such as increased security costs and the movements in nominal and real inflation rates

⁴ This could include where defaults of a subsidiary or other group members gives rise (either directly or indirectly because of an accounting consequence) to a default under loan agreements secured by social housing assets

- b) The board of an organisation with significant supported housing business, but little new development, will need to think about for example:
 - what might happen to corporate overheads and contract-specific costs if the registered provider lost key contracts
 - unsustainable price inflation or wage growth that removed margin from the business
- 38 Managing and addressing risk should involve developing plausible scenarios that test the business plan against adverse movements in the operating environment. Doing so will help underpin boards' understanding of where the risks lie and inform their consideration and planning for remedial action if the risks crystallise either singly or in combinations. Registered providers should consider the implications of this stress testing for its existing business including how the business may need to respond, whether business streams may need to be altered or stopped, whether it has sufficient headroom, what controls they have in place and how those controls are implemented.
- 39 As long-term businesses, registered providers need to ensure that they can withstand the long-term cycles in the economy and that short term decisions do not constrain their ability to cope with risk. This does not prevent registered providers from taking on measured risk to deliver their objectives. It means that when taking on risks, boards should fully understand the impact on their business in the round, as well as on their social housing assets. Boards should have appropriate mitigations and controls in place as well as a strategy to protect those assets during the long term.

Paragraph 2.6: expectations relating to arrangements with third parties

- 40 Registered providers should act in good faith appropriately advancing their own interests and those of their tenants. The focus here is on transactions which, for example, over-price services received so the contractor receives an inflated price or, where services are given without a suitable charge being levied.
- 41 For the avoidance of doubt, the regulator does not intend that transactions undertaken to promote charitable or social objectives, nor appropriate dividend payments by profit making registered providers will be caught by this expectation.
- 42 Where there are conflicts or perceived conflicts of interest, registered providers should clearly set out how they effectively manage these. They should ensure that, for example, parent companies, other entities or individuals who have control or influence (or whom the regulator reasonably believes has such control or influence) cannot or do not exert influence which would have a damaging effect on the registered provider or its compliance with standards. This could be, for example, charging unfavourable prices for the provision of services.
- 43 Third parties are any person or body which is not the registered provider. This includes, for example, directors and board members and may also include individuals or organisations that have close links to the registered provider.

Paragraph 2.7: returns to the regulator

- 44 The regulator requires registered providers to communicate with them in an accurate and timely manner. This includes provision of information, for example data returns. The regulator will clearly articulate its requirements for regulatory returns to the sector and, where appropriate, will consult on these. It is the responsibility of registered providers to ensure that they submit required data returns in a timely manner and the information provided is of a good quality. This includes for example ensuring that returns such as the Financial Forecast Return are fully complete with no missing information, that the data is accurate and submitted by the deadline required. It is not the regulator's role to correct or fill in incorrect or missing data and we will view such returns as evidence of a weak control environment.

Paragraph 2.8: expectations on reporting requirements

- 45 In addition to assuring themselves of compliance with standards on a yearly basis, boards need to assure themselves of their continuing compliance when taking on significant new risks. This could be, for example, when undertaking a new development or entering a major contract. Registered providers' boards shall certify their compliance in the narrative report which accompanies their financial statements. When certifying compliance with the Standard, registered providers shall ensure that they consider compliance with regulatory standards in the round as set out in the required outcomes of the Standard.

Specific expectations applicable to specific categories of registered provider

- 46 This section applies only to specified classes of registered provider where the regulator considers additional controls to protect social housing assets are needed.

Paragraph 3.2: use of social housing assets to support other parts of the business

- 47 Where a registered provider has an unregistered parent, the social housing assets should not be used to support non-social housing activity in other parts of the business to the extent that it may have a material negative impact on, or material recourse to the social housing assets. The regulator would also expect the risk to the social housing assets to be low. Registered providers would not be expected to enter into, for example:
- formal agreements such as guarantees or cross default clauses in loan agreements
 - less formal or indirect arrangements such as making investments which lead to impairment, or which, in the event of insolvency, might allow recourse to the social housing assets

Paragraphs 3.1 and 3.3: assistance

- 48 Paragraphs 3.1 and 3.3 seek to ensure that where a registered provider is part of a group, it can look to other entities within that group for assistance with achieving

compliance with regulatory requirements. If a registered provider is part of a corporate group, the regulator expects the registered provider will ensure that other entities within the group are aware of the regulatory requirements placed on the registered provider and understand the implications of them.

- 49 Pursuant to paragraph 3.1, in groups where the parent is a registered provider, the parent is required to provide support or assistance to ensure the group's compliance with regulatory standards. This includes, where appropriate, ensuring the ongoing viability of the group, and may require assistance to one registered provider from other registered providers to ensure continued compliance with regulatory standards.
- 50 Paragraph 3.3 means if a registered provider has an unregistered parent company, the registered providers must put in place mechanisms to ensure the parent company concerned will assist the registered provider to comply with regulatory requirements. Also, to ensure the parent company or another part of the group does not do anything that compromises the registered provider's ability to meet regulatory requirements. In some circumstances it may be appropriate for the regulator to be a party to such agreements.

Paragraph 3.4 & 3.5: separate legal entities for profit making registered providers

- 51 Profit making registered providers should separate any activities that do not relate to providing social housing from those that do. The regulator is concerned that any potential recourse to the social housing assets from other non-social housing parts of the business is minimal. Profit making registered providers should manage their affairs in such a way that this is the case.
- 52 A small amount of activity that does not relate to providing social housing is permitted within the legal entity. This is to allow for situations where the activity is undertaken for both social and non-social housing reasons, for example, mixed tenure developments. In such circumstances, the registered provider should ensure the non-social housing activity within the entity does not place social housing assets, activities or its own financial viability at undue risk. The regulator considers, where it is necessary for non-social housing activity to be carried out in the legal entity, the amount of non-social housing activity should be in the region of no more than 5% of capital or turnover. Registered providers should include within the calculation of the amount of non-social housing activity any agreements entered which relate to non-social housing activity by others, which could have a material negative impact on the social housing assets.
- 53 Boards of profit making registered providers should consider what are social housing or non-social housing activities and should approve the final designation. The regulator may seek assurance on the robustness of the processes and challenge if it considers the conclusions are inconsistent with the required outcomes contained in the Standard. The designation of activities should be considered by boards and updated as activities start or stop or when the organisation enters into new ventures. To aid boards, the regulator lists below some activities which are not considered to be related to the provision of social housing:
- management/maintenance services to other organisations

- management/maintenance services for own non-social housing
- care services
- development and letting of market rent housing and provision of any associated services
- development and sale of outright market sale properties
- development and letting of student housing and provision of any associated services
- development activity (other than affordable/social housing development)
- estate agency services

Legal status of the Code

- 54 This Code is issued by the Homes and Communities Agency, as the regulator of social housing, under section 195(1) of the Housing & Regeneration Act 2008 (as amended) (the Act). It relates to the Governance and Financial Viability Standard set by the regulator under section 194(1) of the Act (the Standard).
- 55 Section 195(2) of the Act provides the regulator may have regard to the Code when considering whether the Standard has been met.
- 57 The Code applies to all registered providers who are subject to the Standard (i.e. registered providers and not local authority providers of social housing). Some paragraphs of this Code relate to parts of the Standard that only apply to specified classes of registered provider.



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GOVERNANCE AND FINANCIAL VIABILITY STANDARD

April 2015

Governance and Financial Viability Standard

1 Required outcomes

1.1 Governance

Registered providers¹ shall ensure effective governance arrangements that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner. Governance arrangements shall ensure registered providers:

- (a) adhere to all relevant law
- (b) comply with their governing documents and all regulatory requirements
- (c) are accountable to tenants, the regulator and relevant stakeholders
- (d) safeguard taxpayers' interests and the reputation of the sector
- (e) have an effective risk management and internal controls assurance framework
- (f) protect social housing assets

1.2 Financial viability

Registered providers shall manage their resources effectively to ensure their viability is maintained while ensuring that social housing assets are not put at undue risk.

2 Specific expectations applicable to all registered providers

- 2.1 Registered providers shall adopt and comply with an appropriate code of governance. Governance arrangements should establish and maintain clear roles, responsibilities and accountabilities for the board, chair and chief executive and ensure appropriate probity arrangements are in place. Areas of non-compliance with their chosen code of governance should be explained. Registered providers should assess the effectiveness of their governance arrangements at least once a year.
- 2.2 Registered providers shall ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.
- 2.3 Registered providers shall communicate in a timely manner with the regulator on material issues that relate to non-compliance or potential non-compliance with the standards.
- 2.4 Registered providers shall ensure that they have an appropriate, robust and prudent business planning, risk and control framework.

¹ The term "registered providers" refers to private registered providers.

2.4.1 The framework shall ensure:

- (a) there is access to sufficient liquidity at all times
- (b) financial forecasts are based on appropriate and reasonable assumptions
- (c) effective systems are in place to monitor and accurately report delivery of the registered provider's plans
- (d) the financial and other implications of risks to the delivery of plans are considered
- (e) registered providers monitor, report on and comply with their funders' covenants

2.4.2 The framework shall be approved by the registered provider's board² and its effectiveness in achieving the required outcomes shall be reviewed at least once a year.

2.5 In addition to the above registered providers shall assess, manage and where appropriate address risks to ensure the long term viability of the registered provider, including ensuring that social housing assets are protected. Registered providers shall do so by:

- (a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have recourse to social housing assets
- (b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result
- (c) before taking on new liabilities, ensuring that they understand and manage the likely impact on current and future business and regulatory compliance

2.6 Registered providers shall ensure that any arrangements they enter into do not inappropriately advance the interests of third parties, or are arrangements which the regulator could reasonably assume were for such purposes.

2.7 Registered providers shall communicate with the regulator in an accurate and timely manner. This includes returns to the regulator, including an annual report on any losses from fraudulent activity, in a form determined by the regulator.

2.8 Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard.

² Where a registered provider does not have a board, it should be taken to include an equivalent management body as appropriate.

3 Specific expectations applicable to specific categories of registered provider

Registered group parents

- 3.1 Registered providers which are parent companies shall, as appropriate, support or assist those of their subsidiaries that are registered providers with a view to ensuring compliance with regulatory requirements.

Registered providers with unregistered parents

- 3.2 Registered providers with parent companies who are not registered providers shall ensure that they do not enter into agreements to support the activity of the parent or another group member that may have a material negative impact on the social housing assets of the registered provider.
- 3.3 To enable compliance with the regulator's standards or other regulatory requirements, registered providers with parent companies that are not registered providers shall have in place effective mechanisms to ensure that:
- (a) such parent companies will give any appropriate support or assistance as necessary to the registered provider
 - (b) such registered providers have the ability to require the support or assistance of the parent company concerned
 - (c) the registered provider's ability to meet the regulator's standards and other regulatory requirements is not and cannot be prejudiced by the activities or influence of the parent company or another part of the group

Profit making registered providers

- 3.4 Profit making registered providers shall ensure that they undertake their social housing activities in an entity which is legally and operationally separated from any other activities they may undertake, except as set out below.
- 3.5 Profit making registered providers should ensure that activities they undertake which do not relate to the provision of social housing:
- (a) form only a very small part of the activities they undertake
 - (b) are not such as to mean that registered providers place social housing assets, activities relating to the provision of social housing or their own financial viability at undue risk



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Code of **Governance** 2020

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Introduction

A code of governance sets out the standards that organisations can reasonably be expected to achieve if they are to be 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 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.

For these reasons, 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, as also reflected in the NHF's Together with Tenants initiative.
- There is robust oversight of measures to keep residents, other customers and staff safe.
- 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 the wider understanding of good governance, we have placed more emphasis than in previous versions of the code on:

- Accountability to stakeholders, including residents and other customers
- Equality, diversity and inclusion in governance
- Environmental 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 of '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, and thus with the code as a whole.

In preparing this code, the NHF has aimed to strike the right balance between the need for clarity, as against a wish not to be over-prescriptive, nor to create unnecessary requirements for its members.

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. The additional documents accompanying this code include guidance on its application by different types and size of organisation.

Glossary of terms

‘Annual report’

when used in this code refers to the report accompanying an organisation’s financial statements.

‘Annually’

is used where there is a requirement in the code for an action to be undertaken at least once every year. This does not preclude it being undertaken at shorter intervals if the organisation determines that this is appropriate.

‘Key stakeholders’

refers to the stakeholders the organisation determines to have the greatest interest in it and what it achieves.

‘Other customers’

refers to people who use buildings, facilities, support or services provided by the organisation.

‘Published’

Where there is a requirement in the code for certain information or documents to be published, this means that they should be publicly available, whether on the organisation’s website, or in a printed annual or other report.

‘Regularly’

is used in this code to mean reviewing at intervals which the organisation determines are appropriate in relation to each specific matter; this may mean as often as every three months, but at least every three years.

‘Residents’

refers to tenants, leaseholders, shared owners and others living in the homes owned or managed by the 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 ambitions, plans and strategies which enable the organisation to fulfil its social purpose and remain viable and sustainable, and exercises demonstrable and effective oversight of its 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, that plans and compliance obligations are being delivered, and that the organisation is financially viable.

Principle 1

Mission and values

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

Compliance: from principle to practice

1.1 Mission: the board leads the organisation in pursuit of achieving its social purpose. The board sets the organisation's mission and values, and regularly reviews and reaffirms their relevance.

1.2 Resident focus: the needs and safety of the organisation's current and future residents and other customers are placed at the heart of the board's decision-making.

- (1) There are policies, frameworks and opportunities which enable, encourage and support residents and other customers to engage with, influence and contribute to strategic decision-making.
- (2) The board has access to insight into the views and needs of the organisation's residents and other customers (including insight into their concerns and complaints) and uses this to inform decisions where appropriate.¹
- (3) There are policies in place which reflect that the safety of residents and other customers (as well as that of the workforce² and the wider public) is an overriding priority, and the board regularly seeks assurance on their operation.
- (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 and active commitment to achieve equality of opportunity, diversity and inclusion in all of the organisation's activities, as well as in its own composition. It has policies and statements which meaningfully demonstrate this commitment, and sets priorities and objectives for the organisation to achieve.

- (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 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.

- (1) The board leads by example and promotes the culture of the organisation.
- (2) The board seeks regular assurance that its desired culture and behaviours are being enacted in practice in alignment with its mission and values.

1.5 Integrity: the board, its members and the organisation maintain high standards of probity and conduct.

- (1) The board adopts a formal code of conduct to which all its members adhere.
- (2) 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. See also 1.6 on accountability to residents and other stakeholders

2. See also 2.5 on workforce matters

- (3) There is a publicly available register for board and committee member declarations of interest which is reported on annually to the board.
- (4) Where there is a material conflict of interest, any individual concerned withdraws from the board's discussions and decisions on relevant matters.
- (5) 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 Accountability: the board operates openly and transparently, and demonstrates accountability to key stakeholders including residents, other customers, and partner statutory bodies.

- (1) The board publishes information annually about 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.
- (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 arrangements regularly to ensure that they remain fit for purpose.
- (4) The organisation publishes clear and up-to-date information about its board members, committees and governance.
- (5) 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.
- (6) The role of shareholders in the governance of the organisation is documented and understood.
- (7) Organisations with open shareholding publish their policy for the admission of shareholders.

1.7 Reputation and trust: the board takes into account in its actions and decisions the importance of maintaining trust in the organisation and upholding its reputation.

Principle 2

Strategy and delivery

The board sets ambitions, plans and strategies which enable the organisation to fulfil its social purpose and remain viable and sustainable, 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 financially sustainable plans to ensure that the organisation has the resources it needs to deliver its strategy.
- (2) The board gives specific consideration in setting such plans to value for money, financial sustainability, carbon neutrality and environmental sustainability, and social sustainability.

2.2 Structures: organisational 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 regularly reviewed to ensure they remain fit for purpose.
- (2) The board considers regularly whether the organisation's purpose could be better achieved through changes to its group, governance or staffing structures.

2.3 Working with others: Within the organisation's overall corporate strategy (or associated strategies and plans) there is consideration given to whether and how active cooperation, collaboration, joint working or formal partnership with other organisations could enable it to deliver its social purpose and strategies more effectively and economically.

2.4 The chief executive: the organisation has a chief executive, or equivalent, 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 regularly, 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) There is a formal process for the chief executive's annual appraisal, overseen by the board or an appropriate committee.

2.5 Workforce: the board ensures that its workforce policies and practices support the success of the organisation and reflect its values and its commitments to equality, diversity and inclusion.

- (1) The board has access to insight into the views of staff, such that their opinions and needs are understood, and influence the board's decisions as appropriate.
- (2) The board determines a strategy for remuneration of the workforce which is aligned to the organisation's size and complexity, and to its purpose and values.
- (3) The board has policies on the safety and wellbeing of its workforce and reviews their effectiveness.

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 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 with the parent organisation are reviewed by the board of the parent beforehand and thereafter regularly.

(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 the 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 the delivery of its objectives.
- (6) The board of the parent considers and determines whether and how this code should apply to each of its subsidiaries.
- (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, within a group, a single or common board which governs more than one organisation, the organisation has documented how its 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.

- (1) There are formal documented arrangements concerning the accountability, performance, compliance, risk management and governance of such entities.
- (2) The benefits and risks of such entities are reviewed 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 Roles and responsibilities: 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 or appoints 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.
- (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 standing committees (and those of vice-chair or senior independent director as applicable) 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, documented framework setting out delegations to staff, committees and subsidiaries.

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) Setting and ensuring compliance with the values, vision, mission and strategic objectives of the organisation, ensuring its long-term success.
- (2) Establishing a culture that is positive, focused on the needs of current and future residents, other customers and other key stakeholders, and embeds equality, diversity and inclusion in the organisation.
- (3) Ensuring the organisation operates effectively, efficiently and economically.
- (4) Providing oversight, support, direction and constructive challenge to the organisation's chief executive and other executives.
- (5) Appointing and, if necessary, dismissing the chief executive.
- (6) 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.
- (7) Establishing, overseeing and regularly reviewing a framework of delegations to committees and staff.

- (8) Establishing and overseeing control and risk management frameworks in order to safeguard the assets, compliance and reputation of the organisation.
- (9) Holding to account the organisation's subsidiary boards, committees and senior staff for the exercise of any powers delegated to them.

3.3 Board composition: 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 dedicated senior board member (normally a vice-chair or senior independent director) with duties that include 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.

- (1) The board understands, states and regularly reviews the collective skills and attributes it requires to be effective.
- (2) Prospective board and committee members undergo an open and merit-based assessment process to establish their suitability. 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.

- (3) The membership of board and committees comprises people with diverse backgrounds and attributes, having regard to the diversity of the communities the organisation serves and 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 meaningfully engaged in governance structures.
- (5) Shareholders who are not board members are supported and informed to play their proper constitutional role in the organisation's governance and in particular in the election of board members.
- (6) The organisation annually publishes 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.

3.6 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) Regularly reviewed, drawing on external advice as necessary.
- (7) Disclosed in the organisation's annual financial statements.

3.7 Tenure and renewal: tenure for non-executive board members (and independent committee members) complies with the organisation's constitution and is managed so as to enable the organisation to achieve an appropriately skilled, diverse and independent board membership.

- (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 performance and skills, and the needs of the board.
- (3) Maximum tenure will normally be up to six consecutive years (typically comprising two terms of office), but where a member has served six years, and the board agrees that it is in the organisation's best interests, their tenure may be extended up to a maximum of nine years.

- (4) A member who has left the board is not re-appointed for at least three years.
- (5) These provisions concerning tenure apply to office held across all of the organisation's boards and committees, and those of predecessor organisations, including service as a co-optee.

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 how they are responded to.

3.9 Board performance, review and learning:

the board 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 and other customers, have informed decisions.
 - (g) Compliance with this code and legal duties.
- (2) These matters are regularly and formally reviewed.
- (3) All new board and committee members receive a full induction.
- (4) All members have an agreed programme of ongoing learning and development opportunities. This includes addressing any needs identified through the appraisal process.

3.10 Member appraisal: a full, rigorous and documented appraisal process for the individual members of the board and its committees, including the chairs, is carried out at least every two years.

- (1) The appraisal of the board's chair is led by a senior board member, informed by the views of all board members.
- (2) There is an appropriate process for responding to under-performance by individual board members, and to any conduct which may breach policies or codes.

3.11 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 which have not adopted this code, the reasons for this are given³.
- (4) All policies, documents and statements referred to in this code are formally recorded as appropriate and are regularly reviewed.

3. See also 2.7 on group structures

Principle 4

Control and assurance

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

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.

- (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 there are arrangements for effective internal control assurance and audit functions.
- (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 annually meets with the external auditors with only non-executives present.
- (4) The chair of the committee is a member of the board and regularly reports to it.
- (5) The membership of the committee includes at least one person with recent and relevant financial experience, proportionate to the size and complexity of the organisation.

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 suitably comprehensive, 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 stress-testing its plans, to identify the risks (or combination of risks) that may pose a material threat to the viability of 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, including its understanding of principal and emerging risks and how these are being managed or mitigated.

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 safeguarding.
- (3) The board publishes an annual statement setting out its approach to compliance and internal control.

4.5 Whistleblowing and 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 non-executive member of the board (other than the chair), where these are serious concerns and cannot appropriately be raised through the usual channels, and for these to be dealt with through proportionate and independent investigation as necessary.

- (1) The board ensures that appropriate whistleblowing policies and procedures are in place.
- (2) The board (or an appropriate committee) regularly receives an account of matters raised under these policies, and actions taken in response.
- (3) 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.

The National Housing Federation represents housing associations in England. Our members provide more than two and a half million homes for around six million people. And each year they invest in a diverse range of neighbourhood projects that help create strong, vibrant communities.