

New Ways of Working - A Vision Statement for Our Governance and Resident Involvement Structures

1 Introduction

- 1.1 The purpose of this statement is to set out a vision of the future roles and responsibilities of the group board and of the boards of the group's four registered provider subsidiaries. The key part of the proposition being that the registered provider boards will have a majority of common membership and will meet together with common purpose.
- 1.2 The original version of this vision statement was agreed at the group board and all subsidiaries (other than the Foyer for the Island) during February-March 2010. It was predicated on a successful outcome of the Project Clarity initiative and its examination of local accountability structures. This version of the vision statement incorporates what was a successful outcome to the project and provides a definitive position for the group on its new governance structures.
- 1.3 The statement is used to suggest the core skills, knowledge and experience required of board members on the group board and the registered provider boards. It deals with these boards only, not the group's two commercial organisations. This is because of the planned review of both group board and registered provider boards' membership in 2010 whereas the review of the boards of the two commercial organisations is being dealt with separately.
- 1.4 The future role of Signpost Homes Ltd and, therefore, its board is contingent upon the outcome of the group's strategic review of its business which will conclude in 2010. The board of Signpost Services Ltd is already involved in a process of membership renewal following key resignations in 2009, the next stage of which will be recruitment of a new chair which is underway and should be concluded in the summer of 2010. Formal appointment will be confirmed at the Annual General Meeting in September 2010 and formal review of the board will follow this with the new chair expected to take a lead role in that process.

2 Summary of Position to Date and the Longer Term Vision

- 2.1 Spectrum Housing Group (SHG) was established in July 2007 as the non-asset owning parent organisation for six subsidiary organisations, four registered providers – Medina HA, Signpost HA, Signpost Care Partnerships and Western Challenge HA – plus two commercial organisations, Signpost Homes Ltd and Signpost Services Ltd. The Foyer for the Island is a small charity and a subsidiary of Medina HA.

- 2.2 At the group's inception the composition of the group board was designed to capture the key skills required and incorporate the representation from the six subsidiaries. Thus a total number of twelve board members were appointed, six fully independent (including chair and vice chair) plus the chairs of the six subsidiaries. Five of the six independents were appointed from within the merged group and it was agreed that the six subsidiary nominees would be the chairs of the subsidiaries. The group also appointed an independent audit committee chair who, whilst not a member of the group board, is able to attend and speak at meetings by invitation.
- 2.3 The approved business case for merger envisaged that the structure would be revisited within two years to assess the potential of merging all the registered provider organisations and Spectrum Housing Group Limited as the group parent, to create a new asset owning organisation as a single registered provider. This would be the parent to the two commercial organisations, both retained as wholly owned subsidiaries.
- 2.4 The main benefits which were ascribed to the proposition can be summarised as consolidation of assets, improved risk mitigation and development capacity, coupled with operational efficiencies feeding through to surpluses available for re-investment in resident facing services to the tune of circa £4m per annum after year 5 (2012).
- 2.5 In practice the plan had to be shelved as a result of the global recession and associated banking crises which meant legal merger could only be contemplated on the back of increases in the borrowing margin applied to current loan facilities. In this scenario the lenders could treat the merger as a material change thereby triggering a re-pricing to new rates which would be considerably higher those previously negotiated. These were estimated to involve additional costs of circa £2-3m per annum.
- 2.6 In response Spectrum has been reviewing other potential structures which, whilst fulfilling its objective to build upon existing local accountability structures for residents in particular, also offer the opportunity to improve the effectiveness of decision taking. This can be achieved by streamlining the operation of its governance structures and developing how they link with resident involvement structures to enhance scrutiny and engagement on issues of strategy, policy and standards across the group.
- 2.7 To this end a governance structure for the four subsidiary registered providers meeting together with common purpose and with a majority of common membership has been proposed which, subject to consultation with the relevant stakeholders, formal agreement of shareholders and consents from statutory bodies, will be implemented in October 2010. The impact of this is that whilst the four registered providers will retain separate boards, a number of board members will be 'common' to each organisation. Consequently the business of all four boards will, in effect, be run through one meeting under the direction of a moderator appointed by the group board.
- 2.8 The Foyer for the Island would retain its own board and is not part of the proposition for the registered provider boards. The group has stepped back from the proposal put forward last year that the Foyer for the Island would

merge with Medina HA. This decision is conditional upon the strengthening of the Foyer's funding position, which will not become clear until the summer 2010, after the implementation of the new governance structures.

- 2.9 The model for the registered provider boards meeting together with common purpose is aimed at delivering three key objectives aligned to the group's three core objectives:
- "One organisation" - quicker decision making
 - "Residents at the heart" - greater involvement of residents in local decision making
 - "Working communities" - greater focus on the impact of our work in communities through the creation of local management structures
- 2.10 The foregoing is a summary of the position to February 2010 which was in effect a proposition which had the support of all boards in principle and was included as a key objective in the Spectrum corporate plan approved in 2009. We have taken legal advice on the constitutional and regulatory issues arising from the proposition. We have also had high level discussions with the TSA and received its consent to proceed subject to their final approval of the rule changes required to enact the new working arrangement. Shareholder consent will be required for any rule changes required to implement the new structures.
- 2.11 Having established the proposition for the new governance structures the group board next established the key principles upon which the project could progress and could secure the approval of all boards. The remainder of this paper sets out a vision for how the group board and the registered provider boards will work together with some ideas for the determination of roles and responsibilities.
- 2.12 Implicit to the proposition to establish these new governance structures is that it is a staging post only to the continuing goal to merge all the registered provider organisations. That goal is to be progressed once the economic climate improves and punitive impacts on lending margins recede to where the costs of change are more than offset by the improved capacity and efficiency gains. It is difficult to be precise about timescales as much depends upon the attitude of the group's lenders, though it would be reasonable to contemplate subject to shareholder approval that full merger could take place within the life of the current five year strategy (to 2014).
- 2.13 Whilst there are no current plans to grow the group with new member organisations, as the focus is on consolidation, this approach would not preclude such an option being considered in advance of full merger. Options would include inviting interested parties to join in with the full merger, allowing them to become a subsidiary of the new merged Spectrum entity, or retaining a non-asset holding parent. Much would depend on the size, location and type of the new joiner, and the value that the organisation might add to the group.
- 2.14 In the meantime the imperative is to implement the new governance structures outlined above.

3 Local Accountability

- 3.1 The adoption of the model for the registered provider boards and the movement to a single meeting at which business is conducted is reliant upon the development of greater local accountability. New accountability structures will work alongside the governance structures. This need is driven by two issues:
- The need to ensure that local services are appropriate and are delivered to a high standard
 - The need to ensure that all business can be adequately scrutinised
- 3.2 The key starting point for the process was engaging with residents through a process called Project Clarity. The project involved a working group which comprised residents, board members and staff and used an external facilitator to aid the debate. The working group met 3 times during January and February and presented their findings to the Spectrum Residents' Conference in March where there was universal support for the proposals. They made their recommendations to the group board at the end of April 2010 and further reports are working their way through the registered provider boards.
- 3.3 The process was aimed at gaining consensus on the development of resident involvement structures which could link into the group's governance structures, help us develop our strategic thinking and decision making in line with residents' priorities. The aim was also to find ways to give us greater resident led scrutiny of our work enabling residents to not only have a greater role in setting the standards but the also in monitoring the quality of the services we deliver locally. Further we wanted the structures to be able to provide a mechanism for residents to be able to challenge the boards and ask them to account for their decisions and the way that they impact on residents, their homes and communities.
- 3.4 The proposed new structures will include a number of community forums. They will fit with our operational structures so that all regions where we have homes are adequately covered. They will, if not to start with, be resident led and could potentially involve other people who may bring other skills to the forums, council representatives and/or other interested community groups.
- 3.5 Each community forum will have between eight and twelve members. The residents on the forums will initially be recruited from within the existing resident involvement structures. The forums will be able to set their own agendas and their meetings will be open to anyone to attend but only forum members will take decisions. The aim is to have items on the agenda which reflect both the business of the forum and the boards. There could also be question and answer items for residents within the geographical area. Existing local resident associations and groups will remain in place and we want them to link into the new community forums.
- 3.6 It is proposed that the role of these new community forums will be:
- To ensure local services are delivered to a high standard, identify where things are not and to take them up with local managers.

- To identify and develop local variations to our service standards.
- To ensure that all strategies, policies and standards adequately reflect local needs and priorities.
- To ensure that improvement action plans are delivered.
- To have a say on how local budgets are made up and monitor how they are spent.
- To actually manage some budgets such as community funds.
- To be involved in deciding what sort of jobs are needed to deliver services and to play a role in selecting contractors.
- To have a say on plans for how homes are let at a local level.
- To have a say on our plans to build new homes in the local area.
- To champion the involvement of residents at a local level and make sure that Spectrum communicates effectively with everyone, particularly those who are harder to reach.

3.7 It was further considered that in time the community forums could take on a wider role. For example:

- Have a role in the selection of resident board members
- Provide key linkages with local authorities
- Be involved in the recruitment of local management staff
- Promote the development of local management organisations if and where relevant
- Manage the resident inspection programme

3.8 If there is the appetite from residents for greater powers and influence it is possible that these could all grow and form a structure ensuring real local accountability for Spectrum and all its members.

3.9 The new community forums will link into the Spectrum Residents Group which started life last year and is already making a difference working on group wide strategy, policy and standards.

4 Roles and Responsibilities

4.1 The strategy proposed for all boards is to follow a process of board renewal. In order to do so required a decision upon the balance of roles and responsibilities to be taken by the respective boards. This then translates into a statement of the 'essential' and 'desirable' skills, knowledge and experience required for each board.

4.2 The split of roles and responsibilities envisaged for the registered provider boards and the group board should match the long term vision wherever possible and allow for easy transition of any matters where roles are currently split between the two.

4.3 The group board's responsibilities are set out below and reflect a stronger leadership role in corporate planning, financial control, risk and other areas currently part of the group board's remit. They are now very explicit on the approval of all corporate and operational strategies and all corporate policies

and standards. They reflect the upward delegation of responsibilities from the registered provider boards.

4.4 The **group board** will have the following responsibilities:

- development of the Spectrum vision, mission and values
- corporate planning – including development and approval of all subsidiary business plans
- budgets – including development and approval of all subsidiary budgets
- approval of all corporate and operational strategies
- approval of all corporate standards and policies
- business development – including new homes, new business, group growth
- high level performance monitoring of subsidiary financial and operational activity
- development of a framework for service review and continuous improvement
- ensuring the delivery of all corporate services including:
 - finance and treasury
 - risk management
 - strategic procurement and value for money
 - governance and secretariat
 - HR – including training and development
 - PR and marketing
 - health and safety advice
 - legal services
 - information and communications technology
 - facilities management
- ensuring the executive have sufficient delegated authority to manage the day to day operational needs of business.

4.5 These have now been expanded into clear terms of reference for the group board.

4.6 The registered provider boards' responsibilities are set out below and reflect the requirement for them to retain key solvency duties and core housing management and maintenance responsibilities as at present. They now focus more on implementation of strategy and policy and monitoring services against agreed standards and the local engagement of residents.

4.7 The **registered provider boards** will have the following responsibilities:

- commitment to the Spectrum vision, mission and values
- subsidiary business plan and budget approval – subject to group board development and approval
- ensuring the implementation of all operational strategies
- committing to all corporate strategies
- approval of all operational standards and policies
- committing to all corporate standards and policies
- approval of any local variations to operational standards and policies

- approval and monitoring of all repair and maintenance programmes and contracts
- ensuring the engagement of residents
- performance monitoring of all areas of service delivery
- financial performance monitoring
- overseeing operational service reviews and continuous improvement plans.
- monitoring complaint handling performance and outcomes
- ensuring the delivery of all operational services including:
 - lettings and allocations - delivery and planning in conjunction with local authorities
 - redress of homelessness
 - support to vulnerable and elderly residents
 - income control and financial inclusion
 - ensuring value for money
 - estate management
 - community investment
 - anti-social behaviour
- ensuring the executive have sufficient delegated authority to manage the day to day operational needs of the businesses.

4.8 These have been expanded into clear terms of reference for the registered provider boards and fully reflect the proposal for them to meet together with common purpose and to have a majority of common board members.

4.9 The term 'corporate' above is used to describe matters which are non-operational. Thus a corporate strategy or policy would cover areas such as equality & diversity.

4.10 The **committees** constitutionally will be committees of the group board. All subsidiaries will delegate up to the group board the responsibilities as set out above. The group board will delegate certain responsibilities to its committees and these will be binding on all the subsidiaries. The committees will be:

- Governance Committee
- Audit and Risk Committee
- Business Development Committee

4.11 It is proposed that the committee chairs will all be appointed by the group board and selected from within the group board's membership (see later section on positions of office). There will be no independent chair of the audit and risk committee. Whilst there are some benefits from having an independent chair it is suggested that these are outweighed by them not being a group board member.

4.12 Committees should have clear decision making powers within parameters agreed by the group board; with reference upwards for decision only in matters retained by the group board or via the group board to the registered provider boards.

4.13 The group board will also delegate responsibilities to **working groups** from time to time. Constitutionally these will be working groups of the group board.

As with committees, the powers are delegated upwards by subsidiaries to the group board and it delegates to the working groups. They will not usually be decision making bodies unless specifically established for a purpose and terms of reference as such agreed to include the authority to make decisions. They will usually be advisory bodies set up to advise on key strategic issues. Their activities will be binding on the subsidiaries.

4.14 The working groups will be:

- Equality and Diversity Working Group
- Value for Money and Procurement Working Group

4.15 It is proposed that the working group chairs will all be appointed by the group board.

4.16 To facilitate the wider involvement of subsidiaries in key decision making, scrutiny and monitoring of the areas of responsibility delegated up to the group board, the membership of these committees and working groups will be open to subsidiary board members. The membership, terms of reference of all committees and working groups will be agreed by the group board in consultation with their appointed chairs. Membership will be based on the skills, knowledge and experience required to fulfil the roles and responsibilities of the committees or working groups as effectively as possible. Board member performance against agreed competencies will also be taken into account.

4.17 It is proposed that there should be a minimum representation of one group board member (who shall be the committee chair) and one of the 'common' board members from the registered provider boards on each committee. There would be no minimum representation on any working groups.

5 Strategic Planning

5.1 Implicit in the clarification of roles and responsibilities is the need to define a new approach to strategic planning and policy making. If the new governance structures are to work effectively it is essential that there is clarity about what constitutes strategy, or policy and standards. There must also be harmonisation across parts of the business. It would be inconceivable for the registered provider boards to be agreeing and then working to different policies from organisation to organisation.

5.2 It is envisaged that a new approach to strategic planning would be agreed and in place by the summer 2010. It would make a clear link between the Spectrum corporate plan and the core strategies covering each part of the business. The strategies themselves would be developed and agreed over the following 12 months. Each strategy would be in a common format, concise and focused at high level business goals and objectives, leaving the detail to be developed in implementation plans, which can then incorporate any local variations.

5.3 This new approach helps clarify where the line is drawn on decision making between the group board and the registered provider boards in the previous section. All strategies (corporate and operational) will be approved at group

board level. Commitment to and implementation of those strategies is a responsibility of the registered provider and the commercial subsidiary boards.

- 5.4 The development of strategy is however seen to be a very inclusive process and we will be looking to engage with a broad range of stakeholders. In particular we will be engaging with the Spectrum Residents Group and the various focus groups associated with the local accountability structures, to work with staff and board members across the group on their development and review.

6 Communications

- 6.1 A key principle for the new structure and its effectiveness will be the extent to which roles and responsibilities are understood and that decision making is clearly communicated between boards and committees and between board members. The new structure has to be predicated on trust and that those bodies charged with dealing with issues are allowed to do so, taking into account the views and comments and seeking to be as collaborative as possible at all times.
- 6.2 The key to success will be the way in which activities are communicated. There is a critical role for internal communications personnel and processes to be effective and that we seek feedback at regular intervals to ensure that there is understanding, clarity, and that people are happy that the structures are working and the balance of roles and responsibilities are correct.
- 6.3 It is proposed that the need to communicate and engage across the group is built into the terms of reference for all boards, committees and working groups.
- 6.4 Methods of communicating with and between board members will also be reviewed to ensure that they are fit for purpose within the new governance structures.

7 Skills, Knowledge and Experience

- 7.1 In order that the group board can fulfil its refined role and responsibilities it was necessary to redefine the core skills, knowledge and experience required on the board. These are divided into 'essential' and 'desirable' and are attached as Appendix A
- 7.2 Similarly for the registered provider boards the core skills, knowledge and experience are attached as Appendix B.
- 7.3 The columns to be completed will be the numbers who can demonstrate in each core area of the business either 'strong' or 'reasonable' levels of skills, knowledge or experience. Essential areas are those which must be met through board membership where strength must be evidenced through practical application of skills and/or experience. Desirable areas are those which may be met through board membership where reasonable knowledge may be evidenced through employment, board and committee work, or community activities.

- 7.4 The RAG (red, amber and green) rating is a methodology which at a glance makes it easy to see where the strengths and gaps are. This will support a process of board renewal and in the future enable proper succession planning.
- 7.5 These are based on the matrices produced by AWARD Management Consulting in their Phase 2 report on the whole board appraisals. We have reviewed them to ensure that they are applicable now to the proposed new governance structures.
- 7.6 One of the core areas required on both the group board and the registered provider boards is knowledge and experience of the neighbourhoods where Spectrum works. It is felt that this is important to ensure that the boards collectively are able to relate to local areas and understand better how decision making will impact on residents, neighbourhoods and communities. The aim will be to try to ensure that all of the regions are included within the memberships and that this will be a stated intent within the board membership policy.
- 7.7 The process of matching up the essential and desirable skills knowledge and experience to each board will require the recruitment process to include a self assessment. This process will ask candidates to assess themselves against each core area as follows:
- I consider this a strength gained through practical application of skills and/or experience
 - I have reasonable knowledge
 - I have limited knowledge
 - I have had no real exposure to this area
- 7.8 We are not looking for individuals to tick every box; in fact it would be highly unusual for that to be possible. It is however a requirement that the board collectively can tick every 'essential' box. To provide greater assurance and ensure a consistent approach it will be necessary for the self assessments to be capable of being evidenced through CV, references, interviews. This independent moderation of assessments will produce a level playing field.

8 Competencies

- 8.1 There is a test of competency which is also required. The appraisal of board members is the process currently used to assess ongoing effectiveness and performance of existing board members.
- 8.2 For new board members, as with staff, there is a judgement call to be made. Risk can be mitigated by taking up references which may be possible for independents, or asking candidates to complete an assessment, which is becoming increasingly common particularly for paid positions.
- 8.3 As we move into the process of board renewal it will be necessary to be clear on how we will assess competency. There is little point in having strong skills

in a particular area of the business if effectiveness is weak perhaps through lack of commitment, application, or contribution.

- 8.4 Existing Board Members wishing to continue within the new structures will need to be able to demonstrate that they are fully effective within their current role against a set of agreed competencies. This will take the form of an internal reference using similar principles to the appraisal scheme but without the one-to-one meeting. External references must be taken up on all new board member applicants.
- 8.5 All applications (internal and external) for board positions within the new structures will also be subject to some form of competency based testing. This will need to be tailored to suit residents and they will need to be given support as it is likely that they of all constituent groups will be less used to such processes. Equally we will also need to ensure that the process does not discriminate against certain groups and that it is not so onerous that it deters applicants.
- 8.6 Looking beyond the implementation of the new structures then it would be sensible to refine the appraisal scheme and provide training as soon as possible so that board members are aware of the expectations of them in terms of performance and what to expect from the appraisal scheme and how to make best use of it.

9 Board Composition

- 9.1 For the **group board** an optimum composition of nine board members, (excluding co-optees) is envisaged. However there will be flexibility to increase this to a maximum of twelve (excluding co-optees) where, in the opinion of the selection panel, this would lead to a more appropriate balance of skills, experience and roles. This would be reflected in the rules. All appointments would be made by the group board as at present.
- 9.2 The new board membership policy (agreed in April 2010 for implementation in October 2010) states that one of the total number of group board members would be the group chief executive. One of the group board members will be appointed by the group board as the moderator to co-ordinate the running of the registered provider boards when they meet together with common purpose.
- 9.3 It was also proposed that one of the group board members is a resident and this has also been reflected in the new board membership policy. It is felt that this will enhance the role of residents within the group and bring a user perspective to the strategic decision making at group board level. It is felt however that it would be too much of a conflict of interest for the resident board member to be involved in the spectrum residents group as it is the body charged with scrutinising the work of the group board. They could of course be a current member and as such that experience would stand them in good stead, but upon joining the group board they would need to resign from the Spectrum Residents Group. Either way a process will need to be established and agreed by the group board for the selection of the resident group board member.

- 9.4 For the registered provider boards it is proposed that each board has a composition of ten board members (excluding co-optees). This would be reflected in the rules of each registered provider. All appointments to the registered provider boards would be made by the group board.
- 9.5 The new board membership policy states that there would be eight board members who are 'common' to all four registered provider boards. The eight 'common' board members will include three resident board members (one from each of Western Challenge HA, Signpost HA and Medina HA). They will initially be drawn from within the existing resident board members whilst a new process for the appointment of resident board members is developed for use in future years.
- 9.6 There will also be five 'independent' board members (i.e. not a local authority person or a tenant or a member of staff) who are 'common' to all boards. One of these will be the moderator appointed by the group board from within its membership, and four others appointed with the skills, knowledge and experience required by the registered provider boards.
- 9.7 In addition to the eight 'common' board members, each registered provider board will have two 'non-common' board members one of which will be its own chair and one other. These two will be board members for that board only. The one other board member will either be a further independent board member or a local authority nominee if applicable. In total then 16 board members will attend the common purpose meetings of the registered provider boards.
- 9.8 The group board may also appoint board members from anywhere within the group to sit on each of the commercial subsidiary organisations.

10 Positions of Office

- 10.1 The moderator's role is distinct from that of a chair. The moderator is a group board member appointed by the group board to the registered provider boards as one of the 'common' board members. The position must command the same respect and authority as the 'chair' of the meeting and will have a key role to play in working with the four registered provider subsidiary chairs to ensure that the boards are working effectively together. It will require the post holder to have good leadership skills, excellent team working capabilities, be a good communicator and hold qualities such as patience and diplomacy.
- 10.2 A role profile and person specification has been developed for the position of moderator of the common purpose boards so that a group board member may be recruited with the required skills, qualities and competencies to fulfil the role effectively.
- 10.3 Each of the four registered providers will retain their own chairs and as stated above they will be one of the two 'non-common' board members for each of the four registered providers. The view has already been taken that each registered provider must under its rules have a chair and the TSA feel strongly

that they must not be the same person hence the inclusion of each chair as one of the 'non-common' board members.

- 10.4 The role profile and person specification for the chair of the registered providers has been reviewed to ensure that they are consistent in terms of operating within the new governance structures.
- 10.5 Two of the registered provider chairs were recently appointed and as part of that recruitment process it was necessary to give them assurances about their future role in the new structures – not to have done so would have made recruitment very difficult. They will automatically be taken forward into the new structures retaining their positions of office and will not have to go through the board renewal process set out below.
- 10.6 The group board will have a chair. The current group chair has signalled his intention to stand down in 2010 as part of the introduction of the governance structures. As set out further below under the board renewal process it was felt necessary to move forward with the recruitment sooner rather than later as the group chair designate will have a key role to play in the selection of board members for the new structures. The role profile and person specification for the group chair have been reviewed and the post has now been advertised.
- 10.7 Each of the committees will have a chair. It is proposed that the three committees are chaired by three of the group board members. This is a principle which needed to be established before the board renewal process commences as it will be necessary to recruit people to the group board who not only have the right skills, knowledge and experience but who also have good chairing skills. Again it will be necessary to review the role profile and the person specification for a committee chair.
- 10.8 There will be a vice chair of the group board and that position will be appointed from within the new group board membership in due course. There will not be vice chairs of each of the registered provider boards. It is considered unnecessary as the boards would be meeting with common purpose with the four chairs present and the moderator.
- 10.9 The chair of Medina HA will be the association's representative on the board of its subsidiary, the Foyer for the Island.

11 Board Remuneration

- 11.1 It is envisaged that all board members of the group board, the registered provider boards, and the commercial boards will be paid. The board members on the Foyer for the Island Board will not be paid. The remuneration of the Medina HA board member nominated to the board of the Foyer for the Island will not reflect their membership of that board.
- 11.2 A significant debate on board member pay took place across the group last year and the arguments for and against were considered. The group's position was that each board could consider whether to pay and make a business case to the group board. In the case of the registered providers, they

would also need to undertake consultation with their residents. Clearly things have moved on since then and with the proposed new governance structures it was necessary to make a clear policy decision on the matter. Not to do so would significantly impede the board renewal process.

- 11.3 The NHF have recently published updated guidance – “Board Member Pay – Principles and Practicalities” - which found that one third of all social landlords now pay their board members and over 60% of those with an annual turnover in excess of £25m now pay. It is also increasingly common the more complex the organisation. It is certainly the case that Spectrum in terms of its size and constitutional structures as well the diversity of its business, including that of a major developer, would fall into that category.
- 11.4 Within the new governance structures, board members will carry significantly enhanced levels of accountability and responsibilities and not to recognise that through remuneration could be detrimental to the quality of governance in the longer term. There is clear evidence that the TSA have higher expectations upon board members to be in control of organisations and to clearly understand the business and the risks associated with it.
- 11.5 The NHF guidance now illustrates that those organisations that do pay can evidence improvements in governance, something which earlier research found less easy to quantify. It was always likely to be the case that it would take time for evidence to emerge as the cycles of board renewal work their way through organisations and comparisons are able to be made in board recruitment.
- 11.6 It does however remain the case that payment can have an adverse affect on a board member in receipt of benefits. In some circumstances benefits can reduce by more than the income making board membership less desirable. Whilst there is considerable sympathy for this situation within Government there has as yet been no movement to effect any changes to the law or to benefit regulations to lessen this impact.
- 11.7 These factors have made the concept of introducing pay difficult for some existing board members, but as we move into this period of change where all board members will be applying for positions in the new structures, it makes a great deal of sense to introduce payment now. The case is well made and the timing is right. It is acknowledged that this may mean that some existing board members feel unable to apply, but it is felt that there will be sufficient numbers who are able, and others currently outside the structure that may be able, to apply in the future.
- 11.8 It is also important to point out that it is not proposed that members of the local accountability structures nor the Spectrum Residents Group will be paid. There may be opportunities for existing board members who feel unable to continue as a consequence of payment (or indeed for other reasons) to play a part within these structures in the future. In fact their experience operating at a board level could be invaluable given the new responsibilities envisaged for these bodies.

- 11.9 A business case has been developed along with a new board member remuneration policy. Given the complexities of the new structures it was felt that the payment structure should reflect responsibilities and accountabilities across the group. Remuneration for positions of office have been reflected within the new policy supported by a flexible matrix of payment levels so that as responsibilities and accountabilities change over time then remuneration can change accordingly.
- 11.10 Consultation with residents is underway across the group.

12 Board Renewal Process

- 12.1 To achieve all of the boards' commitment to the exercise and buy in to the outcomes, it was felt essential to clarify expectations regarding the board renewal process. A written briefing will be sent to all board members at the outset and there will be reiteration of the key points at various stages in the process. There is a risk that board members will not fully engage with the exercise if they do not understand the benefits and relevance to themselves as individuals, collectively as a board and to the group as a whole.
- 12.2 The existing boards have a lot of talent which the group has invested in over the years and the process of board renewal has been designed with retention as a core principle. The experience of existing board members available will be invaluable but it is equally important that the need to ensure that the boards have the essential skills, knowledge and experience and the right level of competency amongst its board members is not compromised. To that extent then it is likely that we will need to recruit externally and inevitably there will be a mix in the new structures.
- 12.3 External recruitment is not a simple process nor is it inexpensive and there is a shortage of quality board members generally with high competition for places particularly where payment is involved. One way of setting Spectrum apart is to place an 'advertorial' in the trade press to highlight the innovation in the new structures and generate some interest. If this is to be done it should precede advertising for board members.
- 12.4 Another key factor is that external advertising does need to be targeted at the required skills and this will inevitably mean a variety of different trade journals and possibly the national press, the local press and specialist BME press as well. Thus general advertising at an early stage may not have been well targeted and could have been expensive. We can make use of the NHF 'Get on Board' scheme – a database of interested people. The cost is £500 per successful appointment.
- 12.5 The proposition is therefore that we carry out a round of internal recruitment first followed by a round of targeted external recruitment to fill identified skills gaps.
- 12.6 It will be a requirement that robust competency testing is carried out on both internal and external candidates, prior to any offers being made.

- 12.7 For external candidates we will take up references as well as undertake the competency tests. For those existing board members who wish to carry on within the new structures it is proposed that an internal 'reference' is taken up which will negate the need for an appraisal to be undertaken this year. For those not wishing to continue it is considered unnecessary to carry out an appraisal although any board member who might wish to receive some feedback on their performance and effectiveness for personal development reasons is more than welcome to request it.
- 12.8 The process will require an application to be made and a self assessment against the core business skills, knowledge and experience set out in Appendices A & B. These will, as described earlier, require evidence and will be independently moderated to ensure a level playing field. There will then be a matching up of the skills and competency requirements of the group board and the registered provider boards within their new terms of reference.
- 12.9 It is considered essential that the group chair plays a role in the recruitment of all board members. As stated earlier the appointment of a group chair designate is currently underway. They then would be involved in the selection process. A panel has been agreed for the recruitment of the new group chair as: the chair of the governance committee, one other group board member, the chair of the Spectrum Residents Group, the group chief executive and an external adviser.
- 12.10 It is then proposed that an appointments panel for the remainder of the board renewal process is established as: the group chair designate, the group chief executive, and an external adviser. At this stage it is difficult to envisage the inclusion of any other board member as they will either have a conflict of interest if they are applying or will not have any continuing interest if they are not applying.
- 12.11 That is not to say that someone within the latter category could not be involved but at this stage it is difficult to gauge without knowing people's intentions. It is suggested therefore that a decision on the final make up of the appointments panel be deferred until there is greater clarity on board members' intentions and taking into account the views of the group chair designate in due course.
- 12.12 Once the internal round is complete then targeted external advertising can commence. Prior to both internal and external rounds it will be essential to determine the diversity targets expected on each of the boards and strive to achieve them through the recruitment process. To that end given the lack of BME representation within the current board membership it may be necessary to hold vacancies so that external recruitment can target both skills and diversity requirements.
- 12.13 All appointments will be recommended by the panel and will require the approval of the existing group board who will have to agree the membership of all boards and committees to take effect from the implementation date.
- 12.14 It will be necessary to be very clear that those existing board members who are not selected and whose term of office does not naturally end at the AGM

in 2010 will need to resign. To that end we will need to review all terms of office and the existing policy on maximum terms prior to commencing the board renewal process so that there is clarity for all involved.

12.15 The process also need to take into account:

- The representative requirements associated with local authority nominations for some registered provider subsidiaries
- Tenant selection/election mechanisms for each registered provider subsidy
- Preferences expressed in terms of Board membership, which may be based on other factors such as locality

12.16 The process of moving to desired outcomes through all the necessary approvals and consents to finally achieve the structure, composition and memberships of all boards will need to be carefully and sensitively managed.

13 Conclusion

13.1 The original vision statement was produced in February 2010 to move the debate, and the decisions taken up to that point, forward into the implementation phase. It was felt that if we were to achieve our desired timetable for implementation of the new governance structures then we needed to make some important decisions.

13.2 This paper updates that original vision statement to include some of the key decisions taken since February to the end of April 2010; the key component being the acceptance of the Project Clarity outcomes by the group board.

13.3 The outcomes are now known and have been welcomed by the Spectrum residents' conference, agreed by the group board and are in the process of formally being endorsed by each registered provider board.

13.4 The boundaries of roles and responsibilities have been established including the core skills, knowledge and experience expected on the registered provider boards and the group board.

13.5 Decisions have been made on the composition of the boards and a process has been agreed to select the membership. The process of board renewal is predicated on the principle of retention supported by external recruitment to fill missing skills and competencies.

Wayne Morris
Group Chief Executive

21 April February 2010

Appendix A

	Spectrum Group Board	Essential	Desirable	Number strong	Number reasonable	RAG Rating
a	The neighbourhoods where Spectrum works	✓				
b	The use of services provided by Spectrum	✓				
c	Tenant or community involvement and capacity building	✓				
d	Providing customer services in general		✓			
e	Providing housing and estate management services		✓			
f	Providing property repairs, maintenance & improvement		✓			
g	Housing or commercial property development	✓				
h	Physical, economic or social regeneration		✓			
i	Contract negotiation, management & monitoring	✓				
j	Business planning	✓				
k	Treasury management, investment planning & funding	✓				
l	Financial management or accountancy	✓				
m	Internal audit		✓			
n	Strategic partnerships with the health or social care sector	✓				
o	Working with vulnerable people		✓			
p	Working with older people		✓			
q	Business, commerce, entrepreneurial	✓				
r	Corporate governance and regulation	✓				
s	Property, housing or general law		✓			
t	Marketing, public relations and communications		✓			
u	Performance management & service improvement	✓				
v	Organisational development & change management	✓				
w	Staff management, personnel services and training	✓				
x	Equality and diversity practice and procedure	✓				
y	Risk management	✓				
z	Health & safety practice and procedure	✓				
				no: -/9	no: -/9	

Strengths & gaps in skills, knowledge and experience	RAG rating
gap identified in essential skills, knowledge and experience	
acceptable balance in view of essential/desirable mix	
positive strength in view of essential/desirable mix	

Appendix B

	Common Purpose Boards	Essential	Desirable	Number strong	Number reasonable	RAG Rating
a	The neighbourhoods where Spectrum works	✓				
b	The use of services provided by Spectrum	✓				
c	Tenant or community involvement and capacity building	✓				
d	Providing customer services in general	✓				
e	Providing housing and estate management services	✓				
f	Providing property repairs, maintenance & improvement	✓				
g	Housing or commercial property development		✓			
h	Physical, economic or social regeneration		✓			
i	Contract negotiation, management & monitoring	✓				
j	Business planning		✓			
k	Treasury management, investment planning & funding		✓			
l	Financial management or accountancy	✓				
m	Internal audit		✓			
n	Strategic partnerships with the health or social care sector		✓			
o	Working with vulnerable people	✓				
p	Working with older people	✓				
q	Business, commerce, entrepreneurial		✓			
r	Corporate governance and regulation	✓				
s	Property, housing or general law		✓			
t	Marketing, public relations and communications		✓			
u	Performance management & service improvement	✓				
v	Organisational development & change management		✓			
w	Staff management, personnel services and training		✓			
x	Equality and diversity practice and procedure	✓				
y	Risk management	✓				
z	Health & safety practice and procedure	✓				

no: -/16

no: -/16

Strengths & gaps in skills, knowledge and experience	RAG rating
gap identified in essential skills, knowledge and experience	
acceptable balance in view of essential/desirable mix	
positive strength in view of essential/desirable mix	