

Are you ready for independence?

**Excellent governance in the Scottish Housing Regulator era
Self-assessment toolkit for RSL board and committee members**

By Alistair McIntosh, HQN

with additional material from Anna Evans

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1 Introduction and purpose of toolkit – challenge yourself before someone else does

Thank you for the time and commitment you put in as a board/committee¹ member. Housing associations could not operate without you. This toolkit helps you to assess how well your board works and to identify what must be improved.

There has never been a more exciting or challenging time to be a board member. Across the UK billions will be spent on building and managing affordable housing with a determination to avoid past mistakes. Much of this cash will flow through housing associations, and the prospect of more council housing and lead developers all adds to the complexity of the affordable housing landscape in Scotland.

Boards must be excellent to get the most out of these challenges and opportunities. Social housing in Scotland faces a new system of directing investment and regulating managers. Since the abolition of Communities Scotland in March 2008, relationships between the Scottish Government, local authorities and RSLs are still settling down. The Crerar Review published at the end of 2007 set a new tone for scrutiny, audit and regulation which the Scottish Government has embraced and which the Scottish Housing Regulator must implement. This will mean more self-regulation, and responsibility for meeting standards, improving performance and achieving value for money resting firmly with governing body members.

In the past year a major housing association in England ended up in receivership with losses of almost £30m. Disasters can happen, although this was the first RSL to suffer this fate. The independent inquiry found that: *‘Ujima’s collapse was the result of bad management and an ineffective board... Ujima’s governance was weak. Its board was weakened by the loss of three experienced board members in 2006. The remaining board members provided insufficient challenge to management and did not insist on the provision of proper information sufficient to fulfil their responsibilities.’*

The past few months have also revealed other shortcomings in the social sector: the Baby P case was a horrendous example of how governance is not just about scrutiny of an organisation’s business strategy and financial position. The joint area review for the Baby P case showed a catalogue of errors, many of which could be put directly at the door of the senior executives and councillors: these included incomplete reporting of the management audit report by senior officials to elected members; insufficient challenge by the Local Safeguarding Children Board to its members and also to frontline staff; and an overdependence on performance data, which was not always accurate.²

Another recent example where strong governance will be crucial is in the lead developer role. The Scottish Government’s recently released document is now open for consultation and the end result may be very different to that which is proposed. In any event, the days of relatively straightforward relationships between (then) Communities Scotland and RSLs to agree development funding plans have gone. Relationships will be more complex and involve the Scottish Government, local government, possibly a variety of development

¹ This document refers to ‘board’ to mean governing body whether the organisation’s own term is board of governance or committee/committee of management

² Taken from summary of the JAR report on CommunityCare.co.uk, 18 December 2008

consortium partners, and the lead developer. While these partnerships may well present great opportunities, they also present risks for which the board should make conscious decisions, but also contingency plans in case new and complex relationships fail.

HQN knows from its work with RSLs that there is concern about the changing role of the Scottish Housing Regulator – some have seen the strength of the former regulator as a benefit – an insurance over and above the governing body. But increasingly it is down to you as a board member to sort out governance. You cannot rely on the regulator. Since publication of the Crerar Review in September 2007 there have been numerous occasions when the Scottish Government/Scottish Housing Regulator has reasserted its vision for a ‘smaller, simpler and more effective government’ and a ‘risk-based and proportionate approach to regulation and where the responsibility for meeting standards, improving performance and achieving value for money should rest with governing body members or elected members’.

If you use this toolkit honestly and act appropriately, your association will not end up in the same dire straits as Ujima. But let’s make no bones about it, these are challenging times. An excellent board will already be a step ahead with a strategy for dealing with foreseeable risks like:

- Different approaches to regulation by the SHR
- Changing relationships between Scottish Government, local authorities and RSLs
- Introduction of HAG benchmarks and less flexibility in funding appraisals
- Prospect of lead developers and more council housing new build
- The credit crunch making it harder to borrow, sell homes and develop new stock or just keep the business plan viable
- Change of political control at the national and/or local level bringing uncertainty or possibly unwelcome new directions
- Recession and spiralling fuel costs limiting tenants’ ability to pay rent and falling further into fuel poverty
- Most of the stock is getting older – what about the Scottish Housing Quality Standard, and where is the money coming from for investment?
- Higher expectations from new tenants, but also greater requirements from older tenants such as adaptations and support as they stay with RSLs longer into older age.

It’s a tough job you’ve taken on, especially when done on a part-time and unpaid basis. Getting a firm grip on the tiller is tricky when you meet once a month, or once a quarter for some. That’s hardly conducive to teamwork.

Based on our extensive track record with housing association boards we have produced this short, sharp guide to improving governance including:

- Thirteen tests of excellent governance – tough questions to provoke action in the board room – challenge yourself before someone else does
- A self-assessment questionnaire to check how close to excellence your board really is – fill it out individually: does everyone agree with each other?
- Beware – what the board must watch out for when the SHR arrives
- Next steps – how to get your board on the path to excellence.

2 How to use this toolkit

The aims of this toolkit are to:

- Help you to identify the strengths and weaknesses of your board
- Assess how well you are doing as a board overall
- Identify areas for improvement
- Suggest how these improvements can be made.

Chapter three sets out our 13 tests of governance and poses a series of self-assessment questions for each of the tests. Fill this in and identify areas for improvement and action. It would be useful to compare your answers with those of other board members or executives. This could be done at a board awayday.

Chapter four offers a quick self-assessment of how your board sits in our ranking system. Again it would be useful to compare your marks with others and examine the reasons for differences.

Chapter five explains how board members should approach preparing for short notice or full inspection.

Chapter six (what to do next) is based on our experience of boards which overcame typical problems. The information you gather by going through chapters three and four will diagnose any problems and start you on the road to solutions.

Chapter seven explains how HQN can help boards.

Suggestions for using this toolkit

- Complete the questions in chapters three and four individually and honestly – you could do this quickly at first then come back to reflect on your views

- Meet up and share the results with other board members – this could be done at an awayday
- Discuss the reasons for differences constructively – re-consider your views
- Think about how you need to change or develop
- Think about how the board needs to change or develop – make sure the areas which scored poorly in the questionnaire in chapter four get tackled
- Work together on an action plan for the board overall and for you personally. Chapter six offers guidance
- Go through the questions in chapters three and four again after, say, three months – has the board/committee improved? Are your contributions better?

3 Thirteen tests of excellent governance – tough questions to provoke action in the boardroom

‘Best? That’s not good enough! I want better than your best, I want sheer unadulterated brilliance.’

42nd Street

This HQN toolkit will help housing association members assess how effective they are at governing their organisation. Our aim is to ask the correct questions to provoke an honest examination of what is going well and what needs to be improved. There are rarely uniform right and wrong answers to these questions. Your answers matter less than the action which follows.

Thirteen key tests of excellence:

- 1 What is success for your organisation?
- 2 Does the board have the right skills and knowledge to drive success?
- 3 Is the board getting and using the right information?
- 4 How effective is board recruitment and retention?
- 5 Is the board working well as a team?
- 6 Does the board face up to current problems?
- 7 Is the board scanning the horizon and adapting?
- 8 How is the board viewed by its key contacts?

- 9 Do deals deliver?
- 10 Is the tenants'/residents'³ voice heard loud and clear by the board?
- 11 Are the board structures fit for purpose?
- 12 Is the golden thread in place?
- 13 Does the board provide enough support, scrutiny and challenge to the senior team?

Excellence test one: what is success for your organisation?

'I mentor a lot of finance directors that have joined housing associations from the private sector. They are bright but often struggle with the competing priorities and complex funding streams.'

Housing consultant

The Association of British Insurers (ABI) researched the key characteristics of companies their members should invest in and observed a direct link between good governance and success. Many of the ABI tests of good governance can be applied to housing. Should you maximise surpluses, build more homes, tackle poverty and barriers to employment or boost tenant satisfaction? A combination of these and other factors is probably needed – but in what proportion? Boards must communicate their success criteria clearly to prevent confused management.

Question	Your view on your board	What needs to change
What are the key tests of success for this organisation?		
How and when did the board decide on them?		
How are these measured? What are the targets? How were these agreed? When are these reset?		
How well are they communicated to tenants/residents, frontline staff, local authority partners, contractors and other stakeholders?		

³ The term 'residents' is used in this document to mean residents that have an interest in the housing association because they live in close proximity to some of the association's tenants, but also if they receive services from the RSL, eg, sharing owners/shared equity owners or those residents receiving a factoring service from the RSL

Question	Your view on your board	What needs to change
Are you achieving your key targets? How does the board know?		
Do you have plans to get back on track where targets are slipping?		
How are you doing against other organisations? How do you know? Are you testing yourselves against the best?		
How are competing priorities managed? Do you look after existing tenants properly or chase new business harder?		

Excellence test two: does the board have the right skills and knowledge to drive success?

Every board needs a mix of skills: understanding of the tenants' perspective, customer care, but also knowledge of the law, accountancy, human resources, housing management and asset management. Depending on your organisation's objectives, board members who understand capital finance, regeneration, development and merger might also be required.

Question	Your view on your board	What needs to change
What particular areas of knowledge are needed on your board? How and when did you decide on these?		
Do you have individual board members with a sound grasp of the tenants' perspective, customer care, law, finance, housing management, asset management, marketing and other key areas?		

Question	Your view on your board	What needs to change
<p>Do all board members understand their responsibilities under the Industrial and Provident Societies and Companies Acts and health and safety legislation? Are you sure that gas safety and asbestos responsibilities are properly managed?</p>		
<p>Do all board members understand the overall financial position of the organisation? Does everyone know the turnover, key sources of income, major heads of expenditure?</p>		
<p>Do all board members understand the performance level of the organisation (eg, key performance indicators, use benchmarking information to compare performance, and the SHR self-assessment tool)? How do they know (eg, recent inspection, self-assessment or independent report)?</p>		
<p>Is there a board champion for diversity? Do they have access to a profile of the customer base? Do they appreciate what different groups want and aspire to? Are they clear on the outcomes the organisation wants to achieve for different groups, eg, speed up aids and adaptations and/or more allocations to particular ethnic groups? Are the</p>		

Question	Your view on your board	What needs to change
outcomes being achieved?		
Do board members keep their knowledge up to date? Is there a training needs assessment and training programme to close knowledge gaps? How are topics chosen? How do you know that the training works? Is the programme up to date?		

Excellence test three: is the board getting and using the right information?

'How do we know our chief executive is telling us the truth – all the board reports sound positive – but it doesn't seem right to me?'

Board member of an association shortly before it plunged into supervision

'We embarked on a huge strategic review. By the end of it we had no business left.'

Housing association executive in the late 1990s when they failed to notice demand collapsing

Concentrating on the wrong data spells disaster for all businesses. How time gets used in the boardroom really matters. Too often we see boards ploughing through enormous and tired agendas that don't pick out the things that really matter. Squandering time leaves insufficient room for the big strategic issues – like how can we afford to deliver SHQS, or what will we do about shared ownership properties that won't sell, or should we merge?

Question	Your view on your board	What needs to change
Who is involved in setting the board meeting agenda? What input do you have? Do the right matters get chosen?		
Are all reports to the board for <i>decision</i> ? Are too many reports for <i>information</i> clogging up proceedings?		

Question	Your view on your board	What needs to change
Are options provided and pros and cons of each presented in a succinct, well-argued and accurate way?		
Are reports well presented in writing and at meetings?		
Can board members easily get hold of background information to help with understanding reports and performance information? Are previous reports available over the internet?		
Is the board deluged with performance information – or are the key areas for attention singled out? Are you data-rich, analysis-poor and action-poorer?		
Are board reports taken in order of priority? Is enough time allocated to important matters where the board can make an impact?		
Which item at the last board meeting stimulated the most debate? What happened next? Did the board make a difference?		
Does the board have a meeting with the external auditor without the presence of senior officers?		

Excellence test four: how effective is board recruitment and retention?

'Napoleon was asked whether he preferred courageous generals or brilliant generals. Neither, he replied; he preferred lucky generals.'

John Adams, *In Defence of Bad Luck*

Sir Ken Morrison once said he would rather have a couple of extra checkout operators than a non-executive in the boardroom of Morrisons supermarkets. ITV chairman Michael Grade once likened them to bidets: 'You're not sure what they're for, but they add a touch of class.'

Now, a major shareholder group has produced evidence that non-executive directors are more than 'the decorations on the Christmas tree', as the late Tiny Rowland of Lonrho famously described them: 'The Association of British Insurers' research found that the share prices of companies that repeatedly committed serious breaches of the City's Combined Code on Corporate Governance underperformed their sector, particularly when their boards were populated only by executive rather than non-executive directors.'

Jill Treanor, *The Guardian*, February 2007

Perhaps it is just as well that Napoleon met his Waterloo otherwise boards would trust to past luck rather than exercising judgement about the future. In the business world non-executive board members are now seen as crucial to success. How do your board members measure up? And do they reflect the community? Look at what the Chief Executive of Siemens has to say:

'The management board are all white males. Our top 600 managers are predominantly white German males. We are too one-dimensional.'

'It's not a question of quotas... But I would like to see a much more diverse board. I would like to see a big Chinese running China and a big Indian running India.'

Financial Times, June 2008

Question	Your view on your board	What needs to change
Does the board reflect the customer base? Are men and women, people with disabilities, and ethnic groups represented on the board in the same proportions as they occur amongst tenants? What are you doing to improve the match? What steps are being taken to involve younger people?		

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Question	Your view on your board	What needs to change
<p>What is being done to make sure the board knows about the views of groups that are not currently represented on the board?</p>		
<p>How were the skills and attributes needed for the chair decided on? Is there a tailored programme of support for a new chair? Is support/advice offered to those members who might be interested in this role?</p>		
<p>Is there a succession plan to bring in new board members when current members leave? Is the succession plan working? Is the current board of a higher calibre and more representative than the board of, say, two years ago?</p>		
<p>Is a balance struck between maintaining expertise and introducing fresh blood? Are there limits on how long a board member can remain? The SHR Regulatory Code of Governance requires a balance between 'continuity and renewal'? Are retirements staged or could large chunks of the board leave at one time?</p>		

Question	Your view on your board	What needs to change
<p>Is there a thorough induction programme for new board members? What role do the chair and other board members play in this? How do you brief new members on social housing in general and the particular circumstances of your organisation? Do you expect them to visit some of your sites? How do you know the induction programme is effective?</p>		
<p>Does the organisation have sufficient influence over the recruitment of new members? Are some board members nominated by the council? Does this work well?</p>		

Excellence test five: is the board working effectively as a team?

'It's like starting from scratch at every board meeting. There's no sense of a work in progress and some members just can't keep up. We have to go at the pace of the slowest.'

Disgruntled association board member

'Keep the six that hate you away from the five that haven't made their mind up yet.'

Jock Stein, Scottish football manager, sets out the rudiments of team building

'There's no ego in the Stones, they just play the music.'

Jack Nitzsche, producer of many Rolling Stones classics, explains to aspirant English rockers Graham Parker and the Rumour that if they want success they need to work as a team. The band followed his advice and *'for the next nine days, checked our egos at the door'* – their first big hits duly arrived.

Press accounts of the collapses of Northern Rock and Erinaceous Group (providers of maintenance and insurance services to social housing) frequently overlook just how strong the board members were as individuals. Derek Wanless brought a lifetime's experience of banking to the board of Northern Rock. Erinaceous benefited from Nigel Turnbull, the chair

of the Turnbull Committee, which drew up guidance for company directors on internal controls. What could possibly go wrong? Most housing association boards have some exceptionally strong players, but are they effective as teams?

Question	Your view on your board	What needs to change
Does everyone contribute at board meetings? If not, why not?		
Does the size and composition of the board work well? When was it last reviewed?		
Does everyone regularly attend board meetings? If not, what happens?		
What is done to stimulate team work? Are there training and team building events between board meetings? Do these work well?		
Do certain individuals dominate at the expense of others? What is being done about this?		
Are board members spending enough time in advance preparing for meetings? Is time wasted by board members asking questions that could have been sorted out before the meeting? Do some board members ask needless questions because they have not read their papers?		

Question	Your view on your board	What needs to change
<p>Are board members contributing fully or are they stuck in silos? Do the council nominees reflect only the council position? Do tenants speak up only about where they live? Do professionals restrict themselves to their areas of expertise? Is the training programme helping to widen the contribution of board members?</p>		
<p>Have relationships ever broken down on the board? What was done about it? How will you limit the risk of it happening again?</p>		
<p>Does the chair bring people in and encourage useful contributions?</p>		
<p>Do board members ask sharp questions? How well do the senior staff respond to these challenges?</p>		
<p>Is there an agreed annual plan of board agendas to ensure that key matters like HR strategy, financial planning and asset management get fully discussed?</p>		
<p>Is everyone treated with respect at board meetings?</p>		

Question	Your view on your board	What needs to change
Does each board member have a job description? Is the board appraised individually and collectively on at least an annual basis? Are independent experts involved? Are records kept? What action flows from these appraisals, eg, personal development plans for individual board members?		
Are certain individuals kept on the board just to keep the peace?		
Do you look forward to board meetings?		
What would make board meetings better?		
What has been improved in the last year due to the work of the board? Have services to tenants got better? Were the terms of a deal sharpened?		

Excellence test six: does the board face up to problems?

'When written in Chinese, the word 'crisis' is composed of two characters. One represents danger and the other represents opportunity.'

John F Kennedy

'You rarely tell a board something completely new. But too many bury their heads in the sand and hope it goes away. It's a bit optimistic to hope that the regulator lenders and local authority partners will all fail to sniff out a crisis.'

'Half the problems are caused because board members and senior staff think they are all good people incapable of doing anything wrong. Most are genuinely astonished when the media (usually Private Eye) is critical of appointments, salary levels and procurement decisions.'

Governance consultant

In any business things go wrong. Interest rates soar, mergers fail to work out, senior appointments end in tears, new IT systems never deliver and homes get flooded. How does your organisation respond?

Question	Your view on your board	What needs to change
What is the most recent crisis or setback your organisation faced?		
Could it have been anticipated? Was it on your risk register?		
How well did the organisation respond?		
What lessons have been learned? Could it happen again?		

Excellence test seven: is the board scanning the horizon and adapting?

‘The inability to speak with precision and certainty about the future, however, is no excuse for silence.

‘In dealing with the future... it is more important to be imaginative and insightful than to be 100% right.

‘In almost no major consumer goods category... is there a brand on top today which held that position ten years ago.’

Alvin Toffler, *Future Shock*, 1970

All housing organisations ought to be thinking about the practical impact of the new housing investment arrangements and regulatory regime through the SHR. How will the credit crunch and slow-down in house sales and/or fall in prices affect you? In 2007, one housing association thought it was a good idea to buy the housebuilder Wilson Bowden. Great minds think alike and ultimately Barratt did the deal. It turned out to be at the top of the market with the subsequent losses jeopardising the future of Barratt. A lucky escape for the housing association – would your board have seen this coming?

Question	Your view on your board	What needs to change
What are the five biggest risks that could affect your organisation?		

Question	Your view on your board	What needs to change
What are the five biggest opportunities for your organisation?		
How are you countering these risks and maximising the opportunities?		
What do you know about your customer base? Is it changing? How will this affect your organisation?		
How will you keep stock up to the Scottish Housing Quality Standard after 2015? Have you identified resources to maintain and improve all your homes?		
If your association operates across many local authority areas, do you contribute fully in each area? Do you contribute to local housing strategies and in strategic housing forums? Do you link up with other housing associations and local authorities in each area to tackle poverty and barriers to employment, eg, through the Fairer Scotland Fund? Have you considered transferring stock or stock swaps where you play no role locally?		

Question	Your view on your board	What needs to change
What do you want your organisation to look like in five years' time? What are the options? Which is best? Are there robust plans in place to deliver the vision?		
Who do you expect to be your leading competitors? How will you stay ahead of them?		
Does the board track legislative and political change? Do you single out the things that matter and respond in time?		

Excellence test eight: how is the board viewed by its key contacts, eg, regulators, local authorities, tenants groups, developers (private sector and RSLs), contractors and lenders?

Stock transfer associations go through growing pains with their local authority partners. Some national associations face criticism for ignoring isolated pockets of their stock. But there are also plenty of examples of housing organisations that work well with partners.

In the early years of this century central government tried to stop hostile relationships between housing organisations and maintenance contractors. Sabre-rattling got in the way of value for money and customer care. Unfortunately, some of the partnering deals that emerged offered poorer value than before. So-called open book deals protected contractors' profits with little in return. The better partnerships do yield results for tenants and residents, not just cordiality between partners.

Who are your key partners, eg, regulators, local authorities, tenants groups, developers (both private sector and RSLs), contractors and lenders? Are the police, health services, Jobcentre Plus and schools key partners in some areas?

Question	Your view on your board	What needs to change
What partnerships work well? How do you make that judgement? Is it based on firm numbers, or a warm feeling?		

Question	Your view on your board	What needs to change
What partnerships work less well? Why? What are you doing about it?		
If you are an LSVT association, did you keep all the promises in the offer document on, eg, home improvements and local management? Did the tenants support any changes to the plan?		
Is there a plan to make key partnerships more effective?		
Are board members acting as ambassadors or assassins with partners, and in the local community?		
What have you changed in the last year to make relationships with partners improve?		
What will you do next?		

Excellence test nine: do deals deliver? Do we get what we want out of mergers, major purchases and new business streams?

'This is not a merger, it is a takeover.'

Ken Morrison to Safeway staff at the start

'The magic wand did not work quickly enough.'

Ken Morrison on his retirement when the Morrisons takeover of Safeway finally yielded spectacular profits after a rocky start

Googling up 'failed mergers' gets 480,000 results. Googling up 'successful mergers' gets 253,000 – two duds for every winner. Going for growth is never easy. In housing it is especially tricky. A housing association group is only as strong as its weakest member. If that fails at inspection, the entire group can lose credibility with the SHR and local authority partners.

Other deals also make or break all types of housing organisation. Do we purchase a new IT system? Should we get into extra care? Will we partner for maintenance? How successful have your deals been?

Question	Your view on your board	What needs to change
What recent deals have you entered into? What went well? What can you learn from experience? Do your deals come in on budget? Were the anticipated savings achieved? If not, why not? Are all your expectations met?		
Are you clear on the objectives and targets you set for deals? What is the evidence?		
Why are you trying to grow? What's in it for the organisation? How will your current tenants benefit?		
Do you find out who has done similar deals to talk to them and learn the lessons?		

Excellence test ten: is the tenants' and residents' voice heard loud and clear by the board?

'You ponce in here expecting to be waited on hand and foot, while I'm trying to run a hotel. Have you any idea of how much there is to do? Do you ever think of that? Of course not, you're all too busy sticking your noses into every corner, poking around for things to complain about.'

Basil Fawlty

Legendary TV hotelier Basil Fawlty started each episode with the best of intentions. Life turned against him so he took it out on his long-suffering staff and guests. This could never happen with us, could it? Surely the SHR will guard against any loss of focus on tenants. But what happens as the credit crunch bites? Will tenants' rents prop up speculative home

ownership schemes? When were tenants ever consulted on these adventurous business plans?

'Those [RSLs] now in trouble are those who aren't generating enough rent income from [their] core business to cover the low-cost home ownership income that's not coming in.'

Richard McCarthy, Director of Housing and Planning at CLG quoted in *Social Housing* magazine, July 2008

Of course the credit crunch is an exceptional set of circumstances. But does your board instinctively talk to tenants before taking major decisions that could affect them?

Question	Your view on your board	What needs to change
What does your organisation do differently because of the views of tenants/residents? Give examples		
What are the main concerns of tenants/residents? How do you know? Does the knowledge come from surveys and focus groups? Are they recent and did they include many people?		
Are tenants/residents involved before big decisions are taken or do they just get told afterwards? Give examples of where tenants and residents changed a big decision. Are there times when tenants and residents have just been told afterwards?		

Question	Your view on your board	What needs to change
<p>How do the views of tenants/residents differ by tenure, age, gender, ethnicity and location? How do you know this? What difference does it make?</p>		
<p>What are the three most important things you must do to boost tenant/resident satisfaction? When will these happen?</p>		
<p>Do you have tenants/residents on the board? Were they elected by a decent turnout? If not, what is their mandate? Do they play a full role at meetings? Is the training and development programme for resident board members effective?</p>		
<p>Are tenants/residents encouraged to attend board meetings? Do board meetings attract an audience? Are they designed to be interesting to residents? What are you doing to increase attendances?</p>		
<p>How do tenants'/residents' views feed into the board? Are there area committees or panels? What contribution do these forums make?</p>		

Question	Your view on your board	What needs to change
Are there trained tenant/resident mystery shoppers? Does the board hear directly from them? What difference does this make?		
How will your tenant/resident profile change in the future? Will tenants and residents be older, younger, poorer, less mobile and/or more diverse? How do you know? What will your organisation do differently?		
Do tenants/residents know the board exists? What does the board do to raise its profile amongst tenants/ residents? Is it working? If not, how will you do better?		

Excellence test eleven: are the board structures fit for purpose?

‘Thank God for the credit crunch. For the first time the development and commercial staff and their boards are talking to housing management. Now we know what’s in the pipeline and when it needs to be let and marketed. Life has stopped being easy, so they’re trying harder.’

Senior housing association manager sees the silver lining

Housing associations can be large, spread out and complex, so the right hand does not automatically know what the left hand is doing. Parent boards may be anxious about remote subsidiaries. By the same token these subsidiaries are not always comfortable with risks (on finance, mergers or development) taken by the centre. Associations are enticed into groups with the promise they will keep autonomy. Frustration mounts as independence is sacrificed in the name of operational efficiency. Governance reviews of troubled groups jettison surplus board members to speed up and clarify decision-making.

Associations complain of meeting so frequently that senior staff are short of time to do work on the ground. Others gather so rarely that the board members rubber-stamp executive decisions.

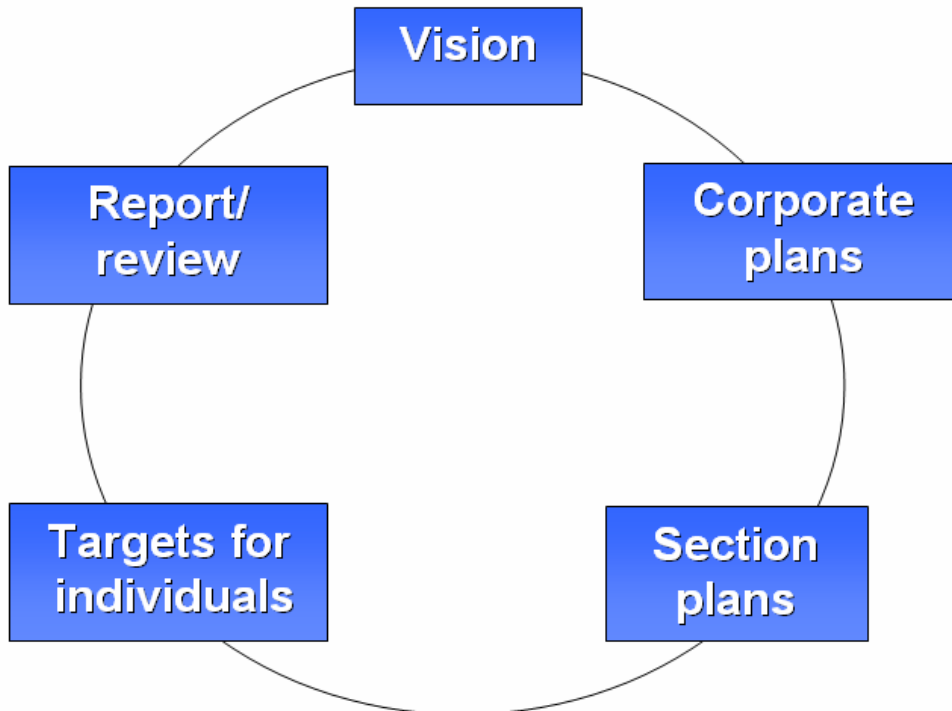
How do your structures measure up?

Questions	Your view on your board	What needs to change
Do you understand the main risks and opportunities managed by all the boards and committees? What are you most worried about and what is being done about it?		
Are all constituencies (eg, areas, tenures and subsidiaries) properly represented in the structure?		
In group structures, are the roles and responsibilities of different boards clear and fully understood? What works well about the split of roles and responsibilities and what works badly?		
Does the structure make good use of time? Does the time spent talking in meetings squeeze out the time that should be spent doing things? (This gets dubbed constitutional constipation.) Or are meetings so infrequent that no one can remember previous debates and decisions?		
When did the structure last get reviewed? When will this happen next? What meetings would you slash? Do any need to be added?		

Questions	Your view on your board	What needs to change
Does your constitution have any built-in weaknesses? Do subsidiaries threaten to trigger exit clauses whenever there is a disagreement? Can tenants/residents or shareholders call for extraordinary general meetings on minor matters? What is being done to sort out these glitches?		
What is the cost of your structure? How does this compare to similar organisations? Can savings be made?		

Excellence test twelve: is the golden thread in place?

'At top performers we found an unbroken link between vision-analysis-systems and people, sometimes dubbed the golden thread.'



'To sum up, it's the right people, doing the right things, at the right time and in the right place. And to meet the efficiency agenda, doing things at the right price too.'

HQN research on improving housing services for the Office of the Deputy Prime Minister and the Housing Corporation, 2005

'In the majority of cases – we estimate 70% – the real problem isn't bad strategy but... bad execution.'

M Porter in *Harvard Business Review*

The HQN research was based on an in-depth analysis of three-star performers in England. Is the golden thread in place in your organisation and is it being executed?

Question	Your view on your board	What needs to change
Does the board have a clear and coherent vision for the organisation? What is it?		
Do members of staff at all levels, tenants/residents, and partners, know what the vision is? How do you know?		
What evidence was used in formulating the vision, eg, market analysis, affordability studies, stock condition surveys, customer profiles and satisfaction surveys?		
Are there SMART plans and targets to ensure the vision gets delivered?		
What evidence do you have that the vision is on track? Can you prove it with facts and figures?		
How do you review and refresh the vision? What needs changing?		

Question	Your view on your board	What needs to change
Are you proud of your housing organisation? What achievements are you proudest of? Would you be happy to live in one of your homes?		
Does the board make a difference? How would the organisation operate if the board did not exist?		

Excellence test thirteen: does the board provide enough support, scrutiny and challenge to the senior team?

'I think boards can end up rubber-stamping [deals] because they can end up being intimidated by their executives.'

'Boards should climb back into the driving seat of organisations.'

'Executive directors were asked how many could manage better without their boards. Most of the hands went up.'

Inside Housing report of speech by Liz Potter, Chair of Orbit Group (June 2008)

These sorry but truthful remarks echo the conclusions of the official inquiry into the Queens Moat House group, which went under in the last recession of the early 1990s (http://www.insolvency.gov.uk/cib/inspectorreports/QMH_Report.pdf):

'The history of major financial collapses shows that too often at their heart has been a dominant personality who created the business but was insufficiently controlled by fellow directors who proved too weak. The problem is that no one in the market wishes to see handicapped one who appears to be successful at making money. Thus, when things appear to be going well for such companies, no one seriously questions the composition of the board. Yet too frequently the appearance of wellbeing has been shown to be either exaggerated or without foundation. While QMH appeared to be successful little attention was paid to the need for additional non-executive directors of quality and experience. When the collapse came almost the whole board was jettisoned.'

The Queens Moat House group report captures the dilemma faced by all organisations:

'Creating an appropriate board of directors is all a question of balancing risks. On the one hand a dominant personality may be restrained from risky actions which could prove to be genuinely profitable; but, on the other, the number of major collapses where the ordinary shareholder is left empty-handed could be reduced if not avoided.'

How well does your board balance the risk of knowing when to support, question or restrain the executive team?

Question	Your view on your board	What needs to change
Are all big decisions (eg, mergers, major developments, new businesses, major procurements and cutbacks) made by the board, or do the executives really pull the strings?		
Does the board debate big decisions in advance or are they rubber-stamping 'done deals'?		
Do the executives respect the views of the board? What is the evidence?		
What has the board contributed to the process on big decisions? What changed as a result of your input?		
Have the board and executive team ever disagreed on strategy? How was this resolved? Was the right decision taken?		
Does the chair have regular one-to-one meetings with the chief executive? Has this improved the running of the organisation? Give examples		
How would you rate the effectiveness of the executive team (from 1 [poor] up to 5 [excellent])?		

Question	Your view on your board	What needs to change
How do you think the executive team would rate the effectiveness of the board (from 1 [poor] up to 5 [excellent])?		
Are the marks the same? What are the reasons for the marks? What ideas do you have for improving the relationships?		
Does the board just challenge the executive team – or does it provide leadership?		
Does the board ensure the executive team is balancing obligations and priorities correctly across the different functions of the organisation?		

4 Self-assessment questionnaire – how close to excellence is your board?

How does your board measure up? Descriptions of what an excellent and a poor board look like are set out for each of the 13 main questions posed in the previous section. Are you closest to the excellent or poor description? Select from the scale below then add up the number of times you have scored each grade from 0-3. You should have **one** score for each test (or box), although there are a number of descriptions or bullet points for each box. So by the end of the questionnaire you should have 13 individual scores to be added to arrive at a total score with a minimum of 0 (13 x 0) and maximum of 39 (13 x 3). It would be useful to ask individual board members to complete this questionnaire and then compare scores.

- 0 – poor**
- 1 – fair**
- 2 – good**
- 3 – excellent**

Our performance

Poor	0	1	2	3	Excellent
Test 1: the board understands and achieves success					
<ul style="list-style-type: none"> • Stuck in a rut – doing the same things year after year • No impact on tenants'/ residents' lives • Lagging behind other organisations on bringing in new ideas • Great at justifying performance – lousy at managing performance • Drifting along – no sense of purpose • Unnoticed by partners and stakeholders 					<ul style="list-style-type: none"> • Total clarity on what the organisation wants to achieve • Understandable and challenging targets • Remorseless pursuit of these targets • Raising the bar/setting tougher targets • Achievements make a big difference to tenants'/residents' lives • Admired by partners and stakeholders
Test 2: the board has the right skills and knowledge base					
<ul style="list-style-type: none"> • Sketchy knowledge of customer base • Too easily reassured by senior staff on key issues like risk, finance, asset management and development • Rose-tinted view of performance levels with limited back-up evidence • Training is optional and/or an excuse for a 'jolly' 					<ul style="list-style-type: none"> • Understand the current and projected customer base and how this must affect service delivery • Solid grip on key issues like risk, finance, asset management and development • Aware of current performance levels with firm plans to improve • Understand training needs with effective training programme in place

Poor	0	1	2	3	Excellent
Test 3: the board is getting and using the right information					
<ul style="list-style-type: none"> • Lazy reports which are light on facts and hazy on the case for preferred options • The board spends too much time nit-picking • Fictitious and/or inadequate performance reports • Not familiar with SHR standards or self-assessment questions • Off-the-cuff decision-making 					<ul style="list-style-type: none"> • Clear, well-argued board reports which speed up decision-making • The board spends time on the things that matter • Knows exactly how well they are doing against performance standards • Board has a track record of selecting the right options
Test 4: board recruitment and retention					
<ul style="list-style-type: none"> • Gaps in quality of board members • No attempt to get board membership aligned with resident base • Patchy preparation for meetings • Not interested in training • No succession planning • Hit-and-miss approach to induction 					<ul style="list-style-type: none"> • High calibre, hard-working board • Board members are representative of the resident base • Board members come along to meetings well prepared, having asked for briefings in advance if required • Board members receptive to training needs assessment and training • Effective succession planning • High quality training and induction

Poor	0	1	2	3	Excellent
Test 5: board teamwork					
<ul style="list-style-type: none"> • Loudest voices dominate • No challenge and/or aggressive challenges to senior staff • Chair is a bully or ineffectual • Appraisals not done or not taken seriously • No track record of achievement • Board an ornament – executives make all the decisions 				<ul style="list-style-type: none"> • Every board member makes a valuable contribution • Intelligent challenge of senior staff • Chair runs effective meetings • Robust individual and collective appraisals of the board which make a difference • Can point to real successes • Board makes an essential contribution to the success of the organisation 	
Test 6: dealing with problems					
<ul style="list-style-type: none"> • Expect to always run as normal • Hoping for the best • Sheer bad luck or someone else's fault when things go wrong 				<ul style="list-style-type: none"> • Risks anticipated (financial, operational and environmental) • Robust recovery and emergency plans in place • Track record of solving problems 	

Poor	0	1	2	3	Excellent
Test 7: scanning the horizon					
<ul style="list-style-type: none"> • Little interest in the outside world • Things just happen to the organisation as if by magic or accident • Running to standstill • Puzzled as to how other organisations get better reputations, higher ratings and/or grow • No idea about the local partners and national agenda as it affects the RSL 					<ul style="list-style-type: none"> • High awareness of emerging financial, legislative and policy risks/opportunities and the likely impact (eg, new regulatory regime, HAG reform, lead developers, council housing and the implications) • Know what happens on the next page when change happens (eg, political swings and house price or interest rate fluctuations) • Planning for change
Test 8: how the board is viewed by key contacts					
<ul style="list-style-type: none"> • Things always seem to be going wrong • Tenant complaints come as a total surprise • Withering on the vine or going downhill fast • Has no idea who the key players are in the local authority and other local RSLs 					<ul style="list-style-type: none"> • Strong and reliable partner, eg, with local authorities, developers and other RSLs • Enjoyable to do business with – but not a pushover • Tuned in to tenant interests • Getting better all the time

Poor	0	1	2	3	Excellent
Test 9: doing deals					
<ul style="list-style-type: none"> • Do deals just because they are in fashion • Don't know what's going on – surrender responsibility to partners • Doesn't know whether achieving value for money in deals • Tenants and residents and staff see that deals like new IT, mergers and partnering for maintenance lead to worse services 				<ul style="list-style-type: none"> • Know exactly what you want from deals like partnering, strategic alliances and mergers • Manage deals – don't leave things to chance • Track record of meeting tough financial and performance targets • Tenants and staff agree that your deals improve services 	
Test 10: is the tenants' and residents' voice heard loud and clear by the board?					
<ul style="list-style-type: none"> • No resident board members • Marginalised resident board members • Board reports on key decisions ignore tenants'/ residents' views • Board has no idea what existing tenants and residents want • Board has no idea how resident base will change in the future • Tenants and residents don't know the board exists 				<ul style="list-style-type: none"> • High calibre, well-informed and respected tenant/resident board members • Tenant /resident members are integral members of the board team • Board reports on key decisions take full account of tenants'/ residents' views • Services are better because of tenant/resident input • Tenants/residents who are not board members attend board meetings • The board tracks changes and projections in the tenant/resident base • Board is respected by tenants/residents 	

Poor	0	1	2	3	Excellent
Test 11: are the board structures fit for purpose?					
<ul style="list-style-type: none"> • Structure is complex – impossible to work out where accountability sits • Costs of the structure are out of all proportion to its benefits • So many meetings that little work gets done between times, or so few meetings that no one knows what is going on • Big issues missed because no one knew where they should be dealt with • Inadequate accountability for different constituency groups (eg, areas, tenants, etc) 					<ul style="list-style-type: none"> • Clear where accountability sits for key decisions • Structure is cost-effective • Every meeting has a point and works well • Structure reviewed as new demands emerge • All constituencies are properly represented (eg, areas, tenants and residents)
Test 12: the board's golden thread					
<ul style="list-style-type: none"> • Board has no sense of purpose and no plan • Staff members work in silos • Tenants/residents see haphazard services 					<ul style="list-style-type: none"> • Board has a clear and relevant vision of where it's going • Robust plans to deliver the vision • Staff signed up to the vision • Tenants/residents see what's different and better about their organisation

Poor	0	1	2	3	Excellent
Test 13: does the board provide enough support, scrutiny and challenge to the senior team?					
<ul style="list-style-type: none"> • Chief executive and/or chair rules the roost with no dissent • Board an irrelevant talking shop • Board bullies the executive team • Board goes with the flow • Chief executive and/or chair great on conference platforms and magazine columns but poor on the day to day • Chief executive and/or chair invisible • Blunders and missed opportunities • Maverick and prima donna behaviour • No idea over what the key organisational obligations are and relative priorities that executives spend most of their time on 					<ul style="list-style-type: none"> • Mutual respect between board and executives • Lively debates on future options between the board and executives • Decisions taken on the facts • Egos never get in the way • Chief executive and chair recognised as strong and inclusive leaders • Track record of getting big decisions right • Has a clear understanding of the organisation's key obligation and knows the executives are prioritising accordingly

How did you score your board?

Mainly 0 – urgent action is required to avert the risk of intervention

Mainly 1 – some rudiments of good practice but a lot to do – are you on the way up or backsliding?

Mainly 2 – generally safe from regulatory action but improvement required

Mainly 3 – doing well – the hallmark of excellence is that others could learn from you. Does this ring true?

How did your score compare to those of board colleagues?

Are the scores from executives the same as those from board members?

What are the reasons for the differences?

What do you plan to do as a board to improve? Chapter six will help you think this through.

5 Beware – what the board must watch out for at inspection

'You must undertake a governance review through independent people and we're putting appointees on the board.'

Lead inspector

'But you said our board was strong in your last assessment!'

Housing association chief executive

'The fact that the board did not know they would get a poor grading means they did not know what was going on.'

Lead inspector

Disappointing inspection grades affect reputation, credibility and funding prospects. Doing well really matters. HQN analysis of recent inspection grades found that results were deteriorating.

Inspectors mark an organisation against SHR performance standards and associations are expected to undertake self-assessment in preparation for inspection. This means board members should be briefed and aware on performance in relation to the standards.

The new risk and proportionality approach to regulation means that the regular cycle of inspections will no longer occur, but rigorous assessment of desktop data will determine low, medium or high engagement according to risk profiles. The board should therefore be aware of the implication of the regulatory plan and devise a strategy to mitigate any risks identified.

If medium or high engagement is determined, an inspection may result. Direct contact between inspectors and boards is limited. They might observe a board meeting and hold interviews or focus groups with key board members. But the grading does reflect performance in governance and leadership, and how this has influenced all aspects of service delivery. Board members should also be keenly interested in the inspector's judgement on prospects for improvement. That test scrutinises the work of the board itself most closely.

What should a board member watch out for in readiness for inspection?

- Have you been briefed by senior staff on self-assessment? How robust is the assessment? Where is the evidence? Is it based on an independent review or peer

review by qualified people? Did you hear directly from the horse's mouth of the reviewers?

- Have all the recommendations from previous inspection reports been completed? Can you prove it?
- Have you been briefed on all the key PIs for satisfaction, income collection, lettings and repairs? Is the data accurate? How does performance compare with the top 25% of other organisations? Are there performance variations within your organisation – if so, why? Do you have an improvement plan and is it robust? Are figures getting better month-on-month?
- Is the golden thread working? Are there robust and integrated strategies and plans to turn the board's wishes into reality? Do all plans have SMART targets? Is the evidence base reliable (eg, stock condition survey)? Are strategies and plans being executed to deliver the right results?
- Do you have a firm grip on key performance and cost data? Do you leave board meetings with a thorough understanding of how well the organisation is doing and what will happen next?
- Are the finances well stewarded? How do you know? Are you completely confident that you understand the financial position and risks at your organisation?
- Do you understand the make-up of the current and projected resident base? What is being done to meet the needs of the elderly, the disabled or any relevant ethnic group? Are services tailored to individuals? How do you know?
- What do tenants/residents say they want through surveys, feedback, letters, complaints (formal and informal) and meetings? How well does the organisation respond?
- Do you have the right calibre of staff, in the right numbers, at the right locations and on the right pay and conditions? Where is the evidence?
- Are you on top of the big risks like gas safety, legionella bacteria and asbestos across all of the stock? Can you prove it?
- Do you take tough decisions? How well do you prioritise and match money to objectives? What tough decisions have you taken as a board? Did you carry tenants and residents and staff with you? Did the plans work out as expected?
- Is the board driving value for money (VfM)? Can you prove that costs are lower with higher standards than others? If not, what are you doing about it? Did you get big purchasing decisions right on, eg, IT and maintenance contractors?
- What examples can you give of board decisions that improved performance and delivered VfM? Show the timeline of the transformation – the regulator wants to see

a clear link between board decisions and outcomes. Claiming credit for accidental success will not wash.

- Is the board demonstrating exemplary probity? What are the arrangements around conflicts of interest? Are you satisfied that relationships with contractors and consultants are appropriate? Why are some favoured more than others? Are you partnering with contractors as equals or surrendering to them?
- Is there a plan B? What happens next if a planned association merger crumbles? What if homes for sale/shared ownership stay on the shelf during the credit crunch?
- Can you set out a solid track record of improvement going back three years?
- Are you living for today? What are the plans for the next five to ten years? What evidence supports these? Where is the money coming from? What do existing tenants and residents think of the plans – it's not a 'new customers only' policy, is it?
- How well prepared for inspection do you feel? Is it time to ask the executives for a briefing?

6 Next steps – how to get your board on the path to excellence

An honest and thorough appraisal of how the board is doing is a great starting point. The questions posed in chapter three and the test at chapter four should give you a good idea of how well the board is performing now and where the weaknesses lie. But what do you do next?

In our experience the issues you will want to tackle fall into a few categories. These are set out below with examples of how other organisations have dealt with these. No problem is hopeless – someone, somewhere, will already have solved it. Facing up to the issue is more than half the battle.

Problem	Solutions
Lack of knowledge: we don't know enough about the things that matter on the board	<p>Undertake an audit of the training required individually and collectively (is it about policy, the law, finance, housing management, customer care, asset management, human resources and team work?)</p> <p>Commission a training programme (ask other organisations about who does this well)</p> <p>Make sure everyone attends</p> <p>Assess the effectiveness of the training (has it led to better decision-making?)</p>

Problem	Solutions
Lack of skills: we don't have the right people on the board	<p>Identify the skills you lack (eg, finance, regeneration and asset management)</p> <p>Recruit into these gaps (talk to other organisations about how they did this – you might need to open up the debate on paying board members)</p>
Behaviour: board and executives need to conduct themselves better individually and collectively	Once the problem is acknowledged an independent expert can be asked to observe meetings, interview individuals and make recommendations for rectification
Weak structure: it could be too cumbersome or it may be out of step with today's challenges	<p>Review the structure – talk to other organisations who have done this – find out what worked for them</p> <p>Fix ground rules at the start – often organisations set out to save money and time, but end up doing the opposite</p>
Problems with finance and/or role: is the money running out? Are services relevant?	If the current business plan is inadequate (as is frequently the case for stand-alone LSVTs) or out of date, it is time for an option review. Your issues will not be completely unique – talk to others that have commissioned these studies. Don't leave it too late
The chair and/or chief executive need to go – the hardest challenge of all	This is the acid test of governance. It's straightforward when they call time on themselves. Of course it is difficult when they don't see the problem and won't budge. This is one occasion when outside advice is needed. A well-run programme of annual appraisals can prevent this conflict arising in the first place

It has become common for boards to commission independent governance reviews which tackle the issues specific to their organisation. Where these are genuinely challenging and from an informed standpoint they can work well. Much depends on the willingness and capacity of boards and executives to change. Ideally, the board should take a leading role in specifying the remit of the governance review, selecting the advisors and agreeing the recommendations. The issues you identify through using the toolkit will make it easier for you to assess what is working well and what needs to be changed at your organisation.

7 Help from HQN

HQN is the largest independent social housing consultancy in the UK. Over 650 organisations subscribe to our networks, which provide briefings and regional seminars on issues of concern to social housing. As you would expect, supporting boards is a big part of our work.

Our assistance for housing association boards includes:

- Regular briefing papers and regional workshops which explain key issues in social housing and what boards must do in response
- Training needs analysis and bespoke training programmes for boards
- Recruitment of permanent and interim executives
- Recruitment of board members
- Board and board member appraisal
- Awaydays for boards to consider strategy
- Reviews of boards and their relationships with stakeholders
- Mediation between stock transfer RSLs and councils
- Procurement strategies and managing major procurements
- Practical advice on VfM and efficiency
- Advice on improving resident involvement and satisfaction levels
- Consultancy and training on asset management and finance
- Preparation for all forms of housing inspection (we have assisted over 200 organisations at inspection).

Board members of organisations which subscribe to the Housing Quality Network may be entitled to free places at our regional workshops and can receive our briefings personally by email – please contact Claire Turner on 01246 413791 or email claire@hqnetwork.co.uk for details.

For further information on the services HQN provides for boards and committees in Scotland contact:

HQN assistance	HQN contact
Boards/committees in Scotland	Wendy Hayhurst – 07825 556807 or email wendy@hqnetwork.co.uk

Appendix one – glossary of terms

Combined Code on Corporate Governance

<http://www.frc.org.uk/documents/pagemanager/frc/Combined%20code%202006%20OCTOBER.pdf> (applies to accounting periods beginning on or after 1 November 2006)

[http://www.frc.org.uk/documents/pagemanager/frc/Combined Code June 2008/Combined%20Code%20Web%20Optimized%20June%202008\(2\).pdf](http://www.frc.org.uk/documents/pagemanager/frc/Combined%20Code%20Web%20Optimized%20June%202008(2).pdf) (applies to accounting periods beginning on or after 29 June 2008)

The Combined Code on Corporate Governance sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability and audit and relations with shareholders.

All companies incorporated in the UK and listed on the Main Market of the London Stock Exchange are required under the Listing Rules to report on how they have applied the Combined Code in their annual report and accounts. Overseas companies listed on the Main Market are required to disclose the significant ways in which their corporate governance practices differ from those set out in the Code.

The Combined Code contains broad principles and more specific provisions. Listed companies are required to report on how they have applied the main principles of the Code, and either to confirm that they have complied with the Code's provisions or – where they have not – to provide an explanation.

The Fairer Scotland Fund

The Fairer Scotland Fund is allocated to Community Planning Partnerships (CPPs) to help them achieve sustainable economic growth by:

- Regenerating disadvantaged communities
- Tackling poverty by helping vulnerable people and groups
- Overcoming barriers to employment.

<http://www.scotland.gov.uk/Topics/Built-Environment/regeneration/fairer-scotland-fund>

The Higgs Report

<http://www.berr.gov.uk/files/file23012.pdf>

<http://www.berr.gov.uk/files/file23013.pdf>

<http://www.berr.gov.uk/files/file23015.pdf>

<http://www.berr.gov.uk/files/file23019.pdf>

In April 2002 the Secretary of State, Patricia Hewitt, and the Chancellor, Gordon Brown, appointed Derek Higgs to lead a short independent review of the role and effectiveness of non-executive directors. Derek Higgs published his report on 20 January 2003.

The report includes guidance for non-executive directors, guidance for the chairman and a proposal for a revised combined code.

Mystery shoppers

Mystery shopping is used to evaluate the quality of service experienced by tenants and stakeholders. The process allows an organisation to independently test its services and obtain data about the services tenants experience, to feedback to service managers.

Open book

'Open book' does not have a specific meaning in terms of finance deals. It is rather an expression of intent. That intent is to demonstrate the commitment and confidence of partners in a contractual relationship to share information on income and expenditure.

PIs

Performance indicators (PIs) provide a measure against which housing organisations, service users, auditors, inspectors and others can judge how well a landlord is performing. Over time, they also form the basis for promoting and assessing continuous improvement. PIs look at things like tenant satisfaction, rates of rent collection and speed of repairs and lettings. The views that the government and regulators take of social housing organisations is influenced by these PIs. HQN publishes PI handbooks and annual analysis of trends against PIs.

SMART

An acronym for Specific, Measurable, Achievable, Realistic and Time-bound. Applied to action plans and targets, etc, to ensure that they are the basis for action. Really, it's the who, what, why and when. Regulators want to be sure that improvement plans are backed up by cash and that everyone is clear on who is doing what and by when.

Scottish Housing Regulator (SHR)

The SHR came into being in April 2008 following abolition of Communities Scotland. The investment and strategic role of Communities Scotland was subsumed into the Scottish Government Housing Investment Division.

The SHR monitors standards of governance and service provision through a set of performance standards. A set of self-assessment questions is also provided by the SHR to assist RSLs through the regulatory process. This includes a Regulatory Code of Governance and set of self-assessment questions on governance.

<http://www.scottishhousingregulator.gov.uk>

The Crerar Review

The Crerar Review was commissioned by the Scottish Government. Its scope was to consider how Scotland's systems of regulation, audit and inspection could be improved. It was commissioned as a key initiative within the wider public reform agenda in Scotland, and no doubt the cost of regulation, which stood at £92m in Scotland in 2005/06, was a major driver for a review.

The five guiding principles recommended from the review were public focus, independence, proportionality, transparency, and accountability. There was a clear emphasis that the primary responsibility for demonstrating compliance and performance should rest with the governing body of service providers, and that over time, the Scottish Government should rely less on external scrutiny and more on self-assessment by providers. It also recommended that cyclical inspection activity should reduce and only occur where all other scrutiny options have been considered. Perhaps the most challenging recommendation was that there should be some amalgamation of regulatory bodies, eventually culminating in a single national scrutiny body.

<http://www.scotland.gov.uk/Resource/Doc/82980/0053065.pdf>

Appendix two – roles of chair and non-executive directors from The Higgs Report (review of the role and effectiveness of non-executive directors, Derek Higgs, January 2003)

1 *Role of the chair*

The chair is responsible for:

- Leadership of the board, ensuring its effectiveness on all aspects of its role, and setting its agenda
- Ensuring the provision of accurate, timely and clear information to directors
- Ensuring effective communication with shareholders
- Arranging the regular evaluation of the performance of the board, its committees and individual directors
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between executive and non-executive directors.

2 *Role of the non-executive director*

Strategy: non-executive directors should constructively challenge and contribute to the development of strategy.

Performance: non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

Risk: non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

People: non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing, and where necessary removing, senior management and in succession planning.

Appendix three – acknowledgments

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Andy Selman – Kirklees ALMO

Charlie Hughes – North Star Housing Group

Doug Edmonds – HQN Associate and Family Mosaic board member

Appendix four – further information (links)

The Chartered Institute of Housing in Scotland (CIHs)

The professional body for people involved in housing and communities. The CIH is a registered charity and not-for-profit organisation. It has a diverse and growing membership of over 21,000 people both in the public and private sectors.

<http://www.cih.org>

The Institute of Directors (IoD)

The Institute of Directors (IoD) is a worldwide association of members providing a professional network which reaches into every corner of the business community. Their membership spans the whole spectrum of international business leadership, from the largest public companies to the smallest private firms.

<http://www.iod.com>

The Scottish Federation of Housing Associations

The Scottish Federation of Housing Associations represents 147 housing associations and 63 Local Housing Organisations in Scotland. Commercial businesses involved or interested in the housing sector may also join as Commercial Members. The SFHA is owned by its membership and exists to support the work of housing associations and co-operatives in Scotland by providing services, advice and good practice guidance.

<http://www.sfha.co.uk>

TPAS (Scotland)

The Tenant Participation Advisory Service (Scotland) is a national membership organisation for landlords, tenants and other related organisations. It is a not-for-profit voluntary organisation, offering a range of services for landlords and tenants.

<http://www.tpasscotland.org.uk>

TIS

The Tenants Information Service (TIS) is a national organisation, which provides independent information, advice and training for tenants. Since 1989, TIS has been a major contributor to developing good tenant participation practice in Scotland. TIS can offer a range of services to assist tenants and landlords to review and put their tenant participation strategies into practice. A key part of its work is supporting tenants and landlords to review housing services and standards to improve service delivery.

<http://www.tis.org.uk/>

TIGHRA

TIGHRA promotes tenant participation in rural communities across Scotland. It provides a resource for tenants, tenants' groups and landlords of council, housing association and housing co-operative homes.

<http://www.tighra.org>