



Review of Governance Structures at Westward Housing Group

**Report to Joint Boards Meeting
11 January 2012**

1. Summary and Recommendations

This report proposes the adoption of “Common Purpose Boards” for Westward Housing Group and for Westcountry HA (option B from the November awayday papers). The intention is to improve and streamline governance processes within the Group following the discussions at the joint Board awayday in November 2011, where there was a broad consensus for change.

The awayday meeting authorised the Governance Project Group (GPG) to consider further the 3 options considered on the day and to come up with a clear recommendation for the way forward. This report is the result of those considerations by the GPG who unanimously recommend the proposals contained in this report. The new Chief Executive has also been kept fully informed and is in full agreement.

Involving customers fully in the decisions affecting the quality and scope of service delivery is also a high priority for the Group and this report also contains proposals that will ensure that customers have improved ways of influencing and controlling those services through the establishment of Service Panels. The Tarka Board already includes the functions of a Service Panel and so no change is planned.

If approved, it is intended to have the Common Purpose Boards in place by the end of March (subject to the Financial Services Authority registration of the new rules) and the Service Panels in place soon after.

Following collective discussion of all the matters in this report the Boards will be asked separately to agree the recommendations necessary to give effect to the proposed changes.

1.1 Westward HG Board are recommended to:

1. Note the results of the Customer Consultation carried out by Westcountry HA in relation to the proposals.
2. Agree that Common Purpose Boards be established to govern both Westward HG and Westcountry HA, which is Option B in the attached report (Appendix 1).

3. Consider the proposed changes to the Rules of Westward HG and if appropriate approve these (Appendix 3).
4. Agree to call a Special General Meeting of shareholders on the 9th February 2012 to consider the proposed changes to the Rules of Westward HG and if appropriate approve these.
5. Agree the recruitment process as set out in Para 5 to recruit to the Common Purpose Boards from amongst existing Board members who wish to apply and to note that those who are not selected to the Common Purpose Boards would be required to step down as part of the process.
6. Delegate the appointment of the board members of the common purpose boards to the selection panel (para 5).
7. Resolve that all current members of Westward Board sign post-dated resignation letters which will only be enacted once the common purpose boards have been appointed and have taken over.
8. Note that the Intragroup Agreement will need to be amended to reflect the Common Purpose Boards' arrangements and to agree that until then the current Intragroup Agreement will be construed to give effect to the new arrangements once they are implemented.
9. Agree that the Service Panels be established to cover the Westcountry HA residents (some of whom will receive this function from the Tarka Board), with further details on how they will operate to follow after further consultation with the Customer Involvement Review Group (Para 4). Detailed proposals and Terms of Reference will come to the first meeting of the Common Purpose Boards.
10. Agree the proposed remuneration set out in Para 7.1.

1.2 Westcountry HA Board are recommended to:

1. Consider the results of the Customer Consultation, which closes on the 10th January and will be reported to the Board meeting, and to consider any changes to the proposals as a result of the customers' feedback or approve the proposals without any changes.
2. Agree that Common Purpose Boards be established to govern both Westward HG and Westcountry HA, which is Option B in the attached report (Appendix 1)
3. Consider the proposed changes to the Rules of Westcountry HA and if appropriate approve these (Appendix 4).
4. Agree to call a Special General Meeting of shareholders on the 31st January 2012 to consider the proposed changes to the Rules of Westcountry HA and if appropriate approve these.

5. Agree the recruitment process as set out in Para 5 to recruit to the Common Purpose Boards from amongst existing Board members who wish to apply and to note that those who are not selected to the Common Purpose Boards would be required to step down as part of the process.
6. Delegate the appointment of the board members of the common purpose boards to the selection panel (para 5).
7. Resolve that all current members of Westward Board sign postdated resignation letters which will only be enacted once the common purpose boards have been appointed and have taken over.
8. Note that the Intragroup Agreement will need to be amended to reflect the Common Purpose Boards' arrangements and to agree that until then the current Intragroup Agreement will be construed to give effect to the new arrangements once they are implemented.
9. Agree that the Service Panels be established to cover the Westcountry HA residents (some of whom will receive this function from the Tarka Board), with further details on how they will operate to follow after further consultation with the Customer Involvement Review Group (Para 4). Detailed proposals and Terms of Reference will come to the first meeting of the Common Purpose Boards.
10. Agree the proposed remuneration set out in Para 7.1.
11. Note the proposed changes to the rules of Westward HG (as required by the Intragroup Agreement).

1.3 Tarka HA Board are recommended to:

1. Note the proposals in relation to the Common Purpose Boards for Westward HG and Westcountry HA and the proposed changes to the rules of Westward HG (as required by the Intragroup Agreement).
2. Note the establishment of Service Panels elsewhere and agree that Tarka Board will provide equivalent services to resident in its area.
3. Note that the Intragroup Agreement will need to be amended to reflect the Common Purpose Board arrangements and to agree that until then the current Intragroup Agreement will be construed to give effect to the new arrangements once they are implemented.
4. Note that Tarka applicants to the common purpose boards will in future be assessed against the same skills matrix as other board members of the common purpose boards and that they will be remunerated.

2. Background

2.1 Drivers of change

Through its discussions the GPG developed the reasons why it felt change was very much needed in the way the group members work together. These are:

- Lack of clarity of roles;
- Lack of real Group feel and behaviours;
- Lack of one voice, members working in silos;
- Excessive duplication;
- Slow decision making;
- Overly complicated approval processes;
- Too many board members for the scale of organisation; and
- inefficient structures.

2.2 Criteria

Working from the agreed drivers of change, a set of criteria were developed that any new structure should ideally meet and these are:

- Reduce duplication;
- Simplify and speed up approval process;
- One clear decision maker for each decision;
- Limit tribalism, embed a culture of one organisation with one voice;
- Reduce the number of Board members;
- Ensure there is no reduction in service to residents;
- Achieve efficiencies;
- Enable parent to exercise regulatory and legal responsibilities;
- Enable parent to manage risk across the group; and
- Strengthen local oversight of local service delivery strengthened.

2.3 Constraints

In discussing restructuring options GPG acknowledges that several constraints place significant limitations on the Group's options at present and these include:

- The risk of lenders re-pricing existing loans;
- The promises made to Tarka at transfer;
- The role of Torridge District Council's 'golden share' in Tarka; and
- The risk of pensions' deficits crystallising.

2.4 Medium term direction of travel

GPG feels that the best option for the Group is to have one registered provider, with strong local control over local service delivery, provided the constraints in paragraph 2.3 can be overcome.

3. The Preferred Option

- 3.1 The joint Boards meeting on the 3rd November 2011 agreed three options for GPG to consider further and come back with a recommendation for a single preferred option. The three options are set out in Appendix 1.
- 3.2 GPG further considered all three options based on the discussion at the awayday and concluded unanimously that Option B was the best option for the immediate future.
- 3.3 Option A was felt to be a necessary step (ie redefining rules and practice within the Group) but did not go far enough to simplify decision making. With Option A Service Panels would either not be possible or would add yet another 'tier' to governance making it even more complex.
- 3.4 Option C was ruled out as impractical in the short term because of the promises to Tarka tenants and commitments to Torrridge District Council. It may be returned to in the future although it may also be possible to move direct to the preferred structure set out in 2.4.
- 3.5 Option B is recommended as it has the advantage of being achievable without colliding with any of the constraints in 2.3, while still achieving a significant simplification to decision making and allowing improved resident engagement.
- 3.6 Option B will involve common purpose boards (ie with the same members) for Westward and for Westcountry Boards. The legal structure will remain unchanged and decisions will have to be taken and recorded by the appropriate Board but meeting at the same time so duplication is eliminated.
- 3.7 The common purpose boards will have one Chair who will technically chair Westward and Westcountry.
- 3.8 Tarka will remain as now with its current constitution with a minimum of two board members on the common purpose boards and a maximum of a third of the common purpose board being Tarka board members.
- 3.9 Customer involvement will be strengthened by the establishment of Service Panels (see below).
- 3.10 There is a great deal of detail still being worked on and the Boards are therefore asked to take decisions today to allow the process to continue. The Boards last time expressed a desire to move on quite quickly –the aim is to have the new structure in place by end of March/early April. To achieve this, that the Intragroup Agreement will be reviewed and rewritten for the new Common Purpose Boards to consider at its first meeting – in the meantime the Boards are asked to agree to construe the current agreement to give effect to the new arrangements.

4. Customer Involvement

Effective Customer Involvement is a key priority for the Group and these changes provide an opportunity to review and strengthen the provisions for customer engagement.

The key proposals endorsed by GPG are that:

1. Service Panels be established to provide greater oversight to residents on key service delivery matters across Westcountry stock. Tarka Board already covers these functions for its area of options and so no change is planned other than potentially adding some Westcountry properties. There are likely to be 4 Service Panels – 3 geographically based (including Tarka) plus 1 supported housing topic based panel; a working group of staff and tenants are finalising the details of the geographic based panels. Detailed terms of reference for the Service Panels will follow following further consultation with the Customer Involvement Review Group.
2. In order to have Common Purpose Boards that are truly effective a revised set of skills and competencies are being devised (see Appendix 2). It is proposed that all Board members should meet these competencies and that as a consequence there will be no specifically reserved places on the Common Purpose Boards for residents. However residents will be encouraged to apply and given support and training to do so. This will ensure that any resident on the Board will have absolutely equal status to other Board members.
3. The Service Panels will have delegated to them a budget and the oversight of the key service areas to residents. They will comprise 9 members: 5 tenants, 3 independents (including a common purpose board member) and a senior staff member. The Chair or Vice Chair will be appointed by the Board, and will be a common purpose board member. The Chair or Vice Chair must be a tenant. Chair and Vice Chair will periodically attend Board meetings to jointly present a report on the work of the Panel.
4. There will be an annual conference of all Boards and Service Panels to discuss the overall strategy of the Group.

In anticipation of the above proposals and as per the request at the awayday for prompt action, consultation has now taken place with the Customer Involvement Review Group (previously called the Strategic Overview Group) of active residents. The feedback from this group was that they were in agreement with the principles set out above and were keen for Service Panels to operate in harmony with a menu of customer involvement.

In addition an individual consultation letter has gone to every Westcountry tenant with a response date of the 10th January so that the results can be reported to the Joint Boards meeting on the 11th January. The Customer Involvement Review Group agreed the consultation timescales and letter.

Tarka residents have been kept informed of the proposals via their residents' newsletter.

5. Selecting the Board

The new Common Purpose Boards will consist of a maximum of 12 members including the Chief Executive. GPG have given much consideration to how the Board should be selected. It was felt the selection panel should have no personal interest and should have a mix of

people with some knowledge of the Group and some with none (but with other relevant experience). The panel will therefore consist of:

1. Rosie Chapman (Chair) an independent charity advisor, with previous senior level experience at the Charity Commission and the Housing Corporation.
2. Liz Potter, independent governance consultant and Chair of Orbit Housing Association, previous director of the NHF.
3. James Tickell, from Campbell Tickell with considerable knowledge of governance reviews and of the Group from several awaydays.
4. Jon Rosser, Interim Chief Executive of Westward until January 2012 and Chair of Gateway Housing Association.

The Board recruitment principles, the role and person specification are attached at Appendix 2.

GPG strongly recommend that the decision of the panel be treated as final.

The interview dates have been set for 9th and 10th (reserve dates 14th and 16th) February 2012 and all members were notified in November of these dates.

6. Legal Issues

Advice has been sought from Trowers and Hamlins on legal aspects of the proposed changes and their advice is taken into account in the proposals. They have provided a detailed advice note which has been considered by the GPG – for brevity it is not attached to this paper but if any member would like a copy of that advice please let Jon Rosser know and it can be sent by e-mail.

The amended rules for both Westward (at Appendix 3) and Westcountry (at Appendix 4) together with short reports from Trowers and Hamlins explaining the proposed changes. The Board(s) need to consider these and if acceptable approve the calling of a Special General Meeting to approve the changes. The Boards are asked to recommend to the SGM that the changes be adopted.

Trowers and Hamlins have confirmed that these changes require no formal regulatory approval from the Tenant Services Authority.

In terms of the lenders consent, the amendments to the rules of Westcountry are largely aimed at updating them in line with the statutory and regulatory regime and some flexibility around board structure. Therefore, and based on the language of the covenants in Westcountry's loan agreements, no lender consent will be required to the extent that the new rules: (a) do not prejudice the rights of any of Westcountry's lenders and (b) do not affect Westcountry's ability to perform its obligations under any of the loans. Lenders will be made aware of the changes and may seek their own legal advice on whether approval is needed and may seek some fee for considering the matter.

The proposed changes are not expected to give rise to any pensions issues.

Trowers and Hamlins are also advising on changes required to the Intragroup Agreement. This advice can be provided to board members on request but the proposed changes will be formally considered by each Board following the implementation of the Common Purpose Boards.

Trowers and Hamlins have confirmed that lender consent is not required for amendments to the Intragroup Agreement.

7. Other Issues

7.1 Board Remuneration

Where there are some differences between Westward and Westcountry board member remuneration, therefore it is proposed that the higher amount be adopted i.e.

Chair	£10,250
Vice Chair	£ 5,125
Committee Chair	£ 4,100
Board Member	£ 3,075
Co-optee	£ 3,075

It is proposed that all Common Purpose board members are remunerated; this would mean a change to our policy to include remunerating the Tarka board members who are also members of the common purpose boards. The Tarka Board would remain unremunerated.

Pay rates are due for review in summer 2012 in the normal way and a triennial review of board member remuneration is due in summer 2012.

7.2 Terms of office

In line with the adopted National Housing Federation Code of Governance the 9 year limit applies from first joining the organisation and is not affected by moving from one Board to another within it.

7.3 Tarka Board members who are also Common Purpose Boards members

It is proposed that a minimum of two and maximum of a third of the common purpose boards are Tarka board members.

The Tarka board members who are apply to join the Common Purpose Boards would be measured against the agreed skills matrix and would be open to interview alongside other members.

In order to establish a fully common Board, Tarka Board members who join the Common Purpose Board will be board members of both Westcountry and Westward.

7.4 Committees

As there will be fewer board members, the members of the common purpose boards will be required to take on more duties; it is an expectation that they will be committee members.

In order to help the common purpose board decide on the membership of committees, the selection panel will include a consideration of suitable committee roles for the applicants.

It is likely that the common purpose boards will want to review the current committee structure. An audit committee is essential requirement and there will probably be the need for a governance/membership committee.

7.5 Chair, Vice Chair and Committee members

At the first meeting of the common purpose boards, a Chair and Vice Chair will be elected by the Board and committee membership will be agreed. The board may take into account the selection panel's recommendations for these positions (as noted within the recruitment principles in Appendix 2).

7.6 Operations of Common Purpose Boards

Attached as Appendix 5 is a background paper from Campbell Tickell on the operation of common purpose boards.

8. Timetable

The overall objective is a first Common Purpose Board meeting at the end of March to approve the 2012-13 budget.

Queries

If you have any queries about this report, please contact Jon Rosser or Lucy Rickson on 01803 217531 or email jon.rosser@westwardhousing.org.uk or lucy.rickson@westwardhousing.org.uk

Appendix 1

The Three Options considered at the Joint Boards Meeting 3rd November 2011

This information was originally provided to boards in advance of the November away day; it is reproduced here for information only.

1. Options for Discussion

- 1.1 Having begun with nine options, identifying one as the medium term direction of travel and rejecting a further five for now, GPG is presented three options to all Board members for consideration at the November 3rd awayday. These were:
- A. Strengthen governance practices
 - B. Form a virtual / combined Board for WW and WC
 - C. Form one virtual / combined Board for WW, WC and TK

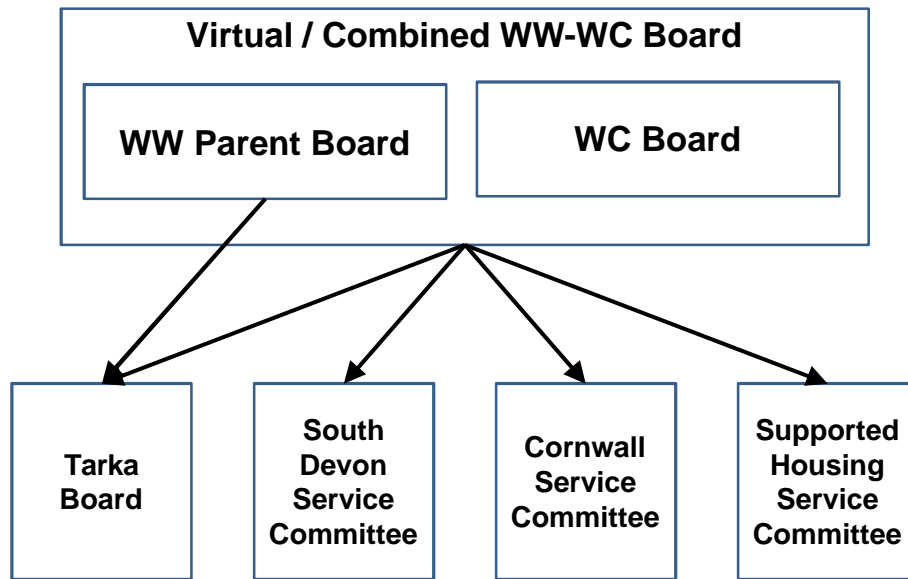
Option A – Strengthen Governance Practices

- 1.2 This option recognises that much could be achieved without changing any of the Group's legal entities or forming any virtual / combined Boards. If the members of the Group have the collective will they can deliver an effective parent through clarifying roles, strengthening the intra-group agreement and powers of delegation and changing custom and practice.
- 1.3 This is not an easy option, real commitment will be required and both Tarka and Westcountry would have to relinquish some powers to the Group, most of which in fact the intra-group agreement already sets out as Group powers. The types of changes that could be envisaged include (but are not limited to):
- Clarifying the language of the intra-group agreement so as to highlight the existing powers of the parent and the subsidiaries rights to be consulted rather than to modify or veto;
 - Reviewing the delegations between Boards, between Boards and committees and between Boards and the executive team, thereby giving the parent control of both strategic and risky activities;
 - Agreeing that the strong influence of subsidiaries is ensured through representation on the parent Board and various committees and that therefore decisions delegated to those bodies will not require further ratification at subsidiary Boards; and
 - Clarifying the expectations of Board member behaviours in terms of respect for Board and executive colleagues and for supporting collective decisions following full discussions.
- 1.4 If fully and willingly implemented this option meets the following criteria:
- Reduce duplication;
 - Simplify and speed up approval process;
 - One clear decision maker for each decision;

- No reduction in service to residents (although few efficiencies released to re-invest in services);
 - No risk of lenders re-pricing existing loans;
 - Promises made to Tarka at transfer are honoured;
 - No consent required from TDC;
 - No risk of pensions' deficits crystallising;
 - No change of landlord, therefore no formal resident consultation; and
 - No change of employer therefore no formal consultation with employees.
- 1.5 It only partially delivers on the following criteria:
- Limit tribalism, embed a culture of one organisation with one voice (improved);
 - Achieve efficiencies;
 - Parent able to exercise regulatory and legal responsibilities (improved);
 - Parent able to manage risk across the group (improved); and
- 1.6 On its own it fails to deliver on the following criteria:
- Reduce the number of Board members;
 - Local oversight of local service delivery strengthened.
- 1.7 In addition this option is less costly than others, presents a strong, clear offer to potential new members of the Group and could be combined with actions to set up stronger local oversight of local services.
- 1.8 The very real risk associated with this option is that genuine change is fudged and that silo thinking, difficult behaviours and cultural weaknesses remain.

Option B - Form a virtual / combined Board for WW and WC

- 1.9 This option would see no change to the legal entities making up the Group but the membership of the WW and WC boards would be combined and so one meeting would be able to make decisions for both WW and WC. Tarka would retain representation on the virtual/combined Board, thus ensuring that its views are represented 'at the top table' as they presently are. Tarka's own Board would remain exactly as it is at present, although some powers would be delegated to the combined Board as in Option A, so as to build the required effective parent.

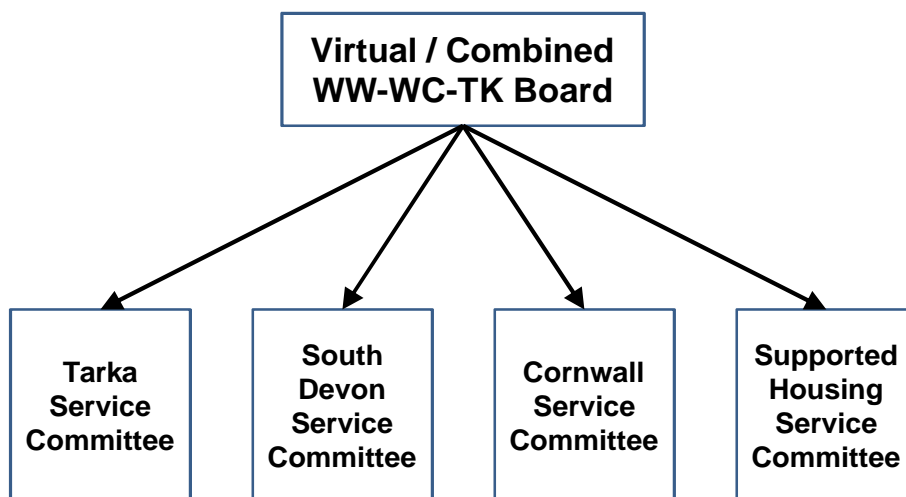


- 1.10 This option meets the following criteria
- Reduced numbers of Board members;
 - Reduce duplication;
 - Simplify and speed up approval process;
 - One clear decision maker for each decision;
 - No reduction in service to residents (although few efficiencies released to re-invest in services);
 - No risk of lenders re-pricing existing loans;
 - No consent required from TDC (although good communication and discussion clearly in everyone's best interest) ;
 - No risk of pensions' deficits crystallising;
 - No change of landlord, no formal resident consultation; and
 - No change of employer, no formal consultation with employees.
- 1.11 It only partially delivers on the following criteria:
- Limit tribalism (largely);
 - Achieve efficiencies (some);
 - Parent able to exercise regulatory and legal responsibilities (improved);
 - Parent able to manage risk across the group (improved) ;
 - Local oversight of local service delivery strengthened (if combined with area service committees); and
 - Promises made to Tarka at transfer are honoured in that there is no change of parent, although the distinction between WW and WC is clearly and deliberately blurred.
- 1.12 In addition the interviews indicated that a broad agreement in principle could be obtained for the new virtual /combined Board to be recruited on an independent skills and experience basis from existing WW and WC members, as this would be seen as open, transparent and fair. Tarka's representation could be ensured within a process that emphasised the skill and experience requirements.

- 1.13 The main disadvantage to this option is that the choreography of the virtual/combined board meetings needs careful planning and minuting. In addition it is likely to be seen as a transitory and possibly confusing phase for potential new Group members
- 1.14 This option would fit well as a stepping stone to further integration of the Group over the medium term. It would allow Tarka to observe the functioning of the virtual / combined Board and any new area committees, and to be reassured that these structures can deliver good outcomes for residents. On the other hand it may be viewed as wasting time and forgoing benefits by those anxious to move to a more integrated structure.

Option C - Form one virtual / combined Board for WW, WC and TK

- 1.15 This option would see the membership of the three organisations combined to form one virtual / combined Board and so one meeting would be able to make decisions on behalf of all three. All the legal entities would remain in place. The option would have to be accompanied by the setting up of service area committees to undertake much of the work (and carry the same representation) that the Tarka Board does currently. A similar service area committee would be required to take some of the work that the Westcountry Board currently does.



- 1.16 This option meets the following criteria:

- Limit tribalism, embed a culture of one organisation with one voice;
- Reduced numbers of Board members;
- Reduce duplication;
- Simplify and speed up approval process;
- One clear decision maker for each decision;
- Parent able to exercise regulatory and legal responsibilities;
- Parent able to manage risk across the group;
- No reduction in service to residents;
- Local oversight of local service delivery strengthened;
- No risk of lenders re-pricing existing loans;
- No risk of pensions' deficits crystallising;
- No change of landlord, no formal resident consultation; and
- No change of employer, no formal consultation with employees.

1.17 It only partially delivers on the following criteria:

- Achieve efficiencies (still require separate accounts and returns).

1.18 It struggles to deliver on the following criteria:

- Promises made to Tarka tenants at transfer may not be compatible with this option; for example it will not be possible to accommodate four councillors and four Tarka residents on the new virtual / combined Board, although the Tarka Service Committee could offer that same representation. The change of Tarka rules in relation to its objects and board membership will require TDC consent.

1.19 As with Option B the new virtual /combined Board could be recruited on an independent skills and experience basis from existing WW, WC and TK members, as this would be seen as open, transparent and fair. Tarka's and Westcountry's representation could be enshrined in a requirement to have experience and understanding of the local communities within which the Group works.

1.20 Again the main disadvantage to this option is that the choreography of the virtual/combined board meetings needs careful planning and minuting. This option would also fit well as a stepping stone to further integration of the Group over the medium term.

From Big Matrix

Option A: Same Boards, stronger intra-group agreement, stronger delegations, cabinet responsibility		
1	Number of Boards	3
2	Reduce duplication	Yes, some
3	Simplify & speed up approval process	Yes
4	One clear decision maker for each decision	Yes some
5	Limit tribalism, one organisation, one voice	Some improvement
6	Reduced number of Board members	No
7	No reduction in service to residents	Yes, although disadvantages of current governance may impact on services in medium term
8	Achieve Efficiencies	Some
9	Parent able to exercise regulatory & legal responsibilities	Improved
10	Parent able to manage risk across the group	Improved
11	Impact on NHH	Group oversight of risk remains difficult
12	Change of Landlord, formal consultation	No
13	Change of employer, managing TUPE	No
14	Mitigate risk of pensions deficits crystallising	Yes
15	Mitigate risk of lenders re-pricing	Yes, but need to check consents required to amend intra-group agreement
16	Torrige DC support	Not required, but good communication & consultation would be undertaken
17	Other advantages	If there is a commitment to real change, this results in a clear & effective parent. Proper controls & risk management are invested in those with legal & regulatory responsibilities by collective consent.
18	Other disadvantages	Real change, rather than just tweaking, will require some relinquishing of control by TK & WC, changes to custom & practice & strong commitment by all. Risk that real change is fudged and silos, behaviours & cultural weaknesses remain.

Option B: One Common Purpose Boards for WW-WC, TK board as is, strengthen delegations, 3 legal entities		
1	Number of Boards	2
2	Reduce duplication	Yes, some
3	Simplify & speed up approval process	Yes
4	One clear decision maker for each decision	Yes
5	Limit tribalism, one organisation, one voice	Largely
6	Reduced number of Board members	Yes although 'area committees' or equiv will require servicing
7	No reduction in service to residents	Yes, if combined with South Devon (and Cornwall & Supported Housing?) area committees
8	Achieve Efficiencies	Yes if combined with operational simplification
9	Parent able to exercise regulatory & legal responsibilities	Yes
10	Parent able to manage risk across the group	Yes
11	Impact on NHH	NHH more obviously serves whole organisation. Risk management lies with 'parent'
12	Change of Landlord, formal consultation	No
13	Change of employer, managing TUPE	No
14	Mitigate risk of pensions deficits crystallising	Yes
15	Mitigate risk of lenders re-pricing	Yes
16	Torridge DC support	Not required, but good communication & consultation would be undertaken
17	Other advantages	Broad consensus for new Combined Board to be recruited on skills basis (primarily from existing pool?). Could be first step with Options 7 or 8 as next step.
18	Other disadvantages	Choreography of board meetings needs careful planning and minuting. TSA would require reassurance, but has been achieved by others. Still need the non-charitable Board?

Option C: One Common Purpose Boards for all, 3 legal entities		
1	Number of Boards	1
2	Reduce duplication	Yes, some
3	Simplify & speed up approval process	Yes
4	One clear decision maker for each decision	Yes
5	Limit tribalism, one organisation, one voice	Yes
6	Reduced number of Board members	Yes although 'area committees' or equiv will require servicing
7	No reduction in service to residents	Need to reassure Tarka that resident voice is maintained at local level
8	Achieve Efficiencies	Yes if combined with operational simplification
9	Parent able to exercise regulatory & legal responsibilities	Yes
10	Parent able to manage risk across the group	Yes
11	Impact on NHH	NHH more obviously serves whole organisation. Risk management lies with 'parent'
12	Change of Landlord, formal consultation	No
13	Change of employer, managing TUPE	No
14	Mitigate risk of pensions deficits crystallising	Yes
15	Mitigate risk of lenders re-pricing	Yes
16	Torrige DC support	Couldn't manage same number of TDC members
17	Other advantages	Broad consensus for new Combined Board to be recruited on skills basis (primarily from existing pool?) Could be first step with Option 7 as next step.
18	Other disadvantages	Choreography of board meetings needs careful planning and minuting. TSA would require reassurance, but has been achieved by others. Still need the non-charitable Board?

Common Purpose Boards Recruitment and Composition Principles

Recruitment principles and proposals

1. Process to comply with NHF Code of Governance: open, transparent, based on merit and objective selection and assessment techniques
2. Process to be independent and fair
3. All current WHA and WHG board members stand down
4. All members continue their 'day job' (i.e. leading the organisation and remaining a conscientious board member) through change process
5. Selection panel of Jon Rosser, James Tickell of Campbell Tickell and Rosie Chapman and Liz Potter (both Liz and Rosie are independents with a housing/charity sector background)
6. Applications open to all current WHA, WHG and Tarka board members and co-optees (should a Tarka board member be appointed they would have to stand down from Tarka Board; should a Tarka board member not be appointed they could remain on the Tarka Board)
7. Applicants to write a short statement addressing why they wish to be considered and what skills, qualities and experience they would bring to the role
8. All applicants interviewed
9. Selection process mindful of:
 - skill matrix, role profile and person specification requirements
 - need for Common Purpose Board to function collectively as a team
 - the minimum skills/experience/knowledge composition (see below)
 - diversity
10. Selection process could consider outputs from previous appraisals and meetings attendance records
11. Selection process explores interest in standing on service panel (so as to maximise retention of skills of unsuccessful applicants) and committees of the board and chairing board committees
12. Selection panel to make final decision on who is appointed.
13. Selection panel will provide feedback to candidates on request
14. Selection panel may advise on potential candidates for the Chair of the common purpose boards and other roles (such as committee membership).
15. Selection panel not obliged to fill all the available spaces if they feel skills are not met and have option to go outside for at least one post
16. Regardless of the outcome for individuals, all will take collective responsibility and ownership of the conclusion of selection process
17. Current tenures carried forward
18. Common purpose board members paid remuneration according to policy (see separate paper)

Common purpose board application pack includes:

- a supporting statement and skills self-assessment form (reviewed and agreed by GPG)
- a board member person specification and role profile (attached)

Common purpose boards composition

12 Board common purpose board members, including 1 executive and 2 Tarka nominees (with relevant skills and experience; essential to comply with Transfer Agreement).

Common purpose board places are open to all to apply (business people, local leaders, residents, tenants, etc). No places reserved specifically for tenants (as with Westward Board) however tenant applicants or potential tenant candidates would receive capacity building and support.

The recommendation is that all board members will be members of the common purpose boards which incorporates both Westward and Westcountry. Note that the Tarka nominees to the common purpose boards would be Westward and Westcountry board members.

A guidance note on conflicts of interest within the common purpose boards would be included within the governance procedures.

Co-optees could be recruited by the boards as required.

The common purpose boards would seek to achieve a minimum skills/experience/ knowledge composition of 2 or more people from:

- leadership and working as an effective team
- direct knowledge of the needs and aspirations of the communities and people served
- general business and management skills
- finance and treasury skills

And ideally at least 1 person with skills/experience/knowledge in:

- housing management
- supported housing and care
- asset management/development

Other experience/knowledge as per the Person Specification would be desirable. The skills and abilities listed in section two of the Person Specification would be essential.

Westward Housing Group Common Purpose Board - Board Member Role Profile

The purpose of the board is to determine strategy, direct, control, scrutinise and evaluate an organisation's affairs.

All board members share the same legal status and have equal responsibility for ensuring that the board fulfils its collective role.

Key aspects of the board's role are:

- **Guarding the purpose:** the board determines the focus of a organisation's work, as external circumstances change, the organisation's objectives have to be reconciled with what is practicable and achievable without compromising the association's core purpose and core values.
- **Setting strategic direction, plans and objectives:** the wider objectives of the organisation are only likely to be achieved if they are translated into clear plans and strategies.
- **Setting high standards of conduct and probity:** the board must behave with high standards of probity and integrity, and ensure that these apply throughout the organisation, so as to ensure continuing public support.
- **Setting the delegation framework:** clarity of delegation helps to achieve a clear and effective relationship with staff and is an essential safeguard for the board. The board should spell out which decisions are reserved for the board and then clearly delegate the rest.
- **Taking key decisions:** some decisions will always be of such importance that they should only be taken by the board, for example, a substantial change in direction or where substantial financial or reputational risks are at issue.
- **Financial control and managing risk:** almost anything that helps the association to achieve its objective will involve risk. The board has an overriding responsibility for the financial viability of the organisation and for managing risk.
- **Scrutinising performance and holding the executive to account:** having set clear strategies and plans and a clear framework of delegation, the board must scrutinise performance and check that work is progressing as intended and objectives are being achieved. And if not, take appropriate remedial action.
- **Appointing and remunerating the chief executive:** for organisations employing staff, the appointment of the chief executive is one of the most important decisions that the board has to take.
- **Ensuring accountability:** the board needs to ensure that tenants and other stakeholders can monitor the organisation's performance and hold the board to account.

The parent board also has the ultimate responsibility for the subsidiaries and directs their activities.

A board member reports directly to the Chair of Common Purpose Boards.

Each board member also has a personal responsibility to:

- always act in the organisation's best interests and for corporate good;
- uphold the organisation's purpose, objectives and policies;
- uphold the values of the organisation through high standards of conduct and behaviour and by complying with the organisation's code of conduct, rules, standing orders and financial regulations;
- contribute to, and share responsibility for, the board's decisions, including its duty to exercise reasonable care, skill and independent judgement;
- act in a fair and professional manner;
- challenge and question in a constructive manner;
- prepare for and attend Board and committee meetings, awaydays, training/development events and other external events as required;
- participate in reviews of board performance and measures designed to develop the board's capacity and effectiveness;
- establish and maintain a strong positive working relationship between the Board, the Chief Executive/Managing Director, key staff and customer groups;
- observe and comply with organisational aims, objectives, policies and procedures in relation to health and safety, and observe and continually promote equal opportunities and customer care;
- positively represent the organisation and the Group with external stakeholders, including customers, ensuring that the objectives of both are maintained;
- declare any relevant interests and avoid conflicts of interest;
- respect the confidentiality of information;
- ensure your skills are kept up to date and that you participate in learning and development sessions.

**Westward Housing Group
Common Purpose Boards - Board Member Person Specification**

Attributes	Essential	Desirable
1. Knowledge and Experience	<p>Recent, relevant experience of two or more of the following areas:</p> <ul style="list-style-type: none"> • Leadership and working as an effective team member • Direct knowledge of the needs and aspirations of the communities and people served • General business, financial and management skills • Knowledge of external framework including financial markets, political imperatives and operating environment for social housing • Other relevant or specialist skills, such as commercial, financial, treasury and funding, HR, investment, risk management, legal, health, housing management, social services, adult learning, not for profit, property management, customer service, asset management, and housing development 	<ul style="list-style-type: none"> • Knowledge of the social housing sector • Experience of a regulated sector • Experience of resident or community groups • Experience of living in social housing or receiving care & support
2. Qualifications	None	Degree or professional qualification in a relevant topic
3. Skills and Abilities	<ul style="list-style-type: none"> • Effective listening and communication skills • Constructively contribute to debate and provide positive challenge • Foster a culture that enhances commitment, enthusiasm and excellent performance from the staff • Commitment to working to highest standards of honesty and integrity • Take difficult decisions • Commitment to collective responsibility and positive representation of decisions • Develop and maintain constructive and supportive relationships with board members, key staff and internal and external stakeholders • Understand, interpret and scrutinise large amounts of information (including reports, financial data, performance information, etc) • Use specialist/technical knowledge to enhance strategic debate and leadership, and to determine and follow appropriate delegations to the executive and operational staff 	<ul style="list-style-type: none"> • The ability to understand and challenge financial accounts and reports • A desire to face opportunities and challenges with an innovative and ambitious approach

Attributes	Essential	Desirable
	<ul style="list-style-type: none"> • Consider views of others and work co-operatively as part of a team • Well organised • Commitment to fairness, respect, inclusion, and equality and diversity 	
4. Practical considerations	<ul style="list-style-type: none"> • It is expected that all of the Common Purpose Board members will sit on at least one additional standing committee, and from time to time will participate in time-limited 'task and finish' groups • It is estimated that the time commitment for the role is normally around 20 days a year (including meetings, reading and preparation time, committee work, board away days, appraisal, ambassadorial events, training and development, etc) • A commitment to the purpose, vision and values of the organisation • The nature of the role could require attendance at daytime or evening meetings with appropriate notice • A willingness to use group IT systems, especially email, and to receive relevant training • Access to a suitable vehicle or public transport as meetings will be held at various Group offices throughout Devon and Cornwall, including Bideford, Newton Abbot, Torquay and Plymouth • Note on eligibility: As the organisations are housing associations with charitable status and a Consumer Credit License, board members cannot: <ul style="list-style-type: none"> - be an undischarged bankrupt - be disqualified from trustee or directorship - be suffering from Mental Disorder making them incapable of carrying out board duties - be convicted of an indictable offence - have a history of fraudulent behaviour 	

Appendix 3

Full versions of the Westward Rule changes are attached; these can be found after the notes.

Westward Housing Group Limited - note on proposed amendments to the rules

1 Purpose of review

1.1 The purpose of the review of the rules of Westward Housing Group Limited (**Westward**) was to reflect:

1.1.1 amendments to address the proposed new governance structure of Westward and in particular the overlapped board structure;

1.1.2 statutory and regulatory changes; and

1.1.3 certain general amendments to bring the rules up to date and in accordance with current best practice.

1.2 The following is a summary of the key changes proposed to the rules. Not all of the changes made are described in this note and the amended rules should be reviewed in full for a comprehensive understanding of the changes made.

2 Calling general meetings (rules C20-C21)

For administrative flexibility, we have provided for an ability to use electronic communication for the purpose of calling a general meeting. This will enable Westward to call general meetings more quickly. We have also permitted to call meetings on less than 14 clear days' notice if three quarters of shareholders (as opposed to all) agree.

3 Quorum for general and board meetings (rules C22 and D13)

The quorum for general and board meetings has also been amended to reflect changes to the board. We have suggested a smaller quorum than is currently the case. The quorum is now simply four people but the employees of Westward (or any other group member) must be in minority.

4 Voting (rules C34-C35)

Rule C34 has been amended and a new rule C35 has been added to make clear that resolutions can be passed in writing if the relevant requisite majority of the shareholders vote in favour of it (i.e. simple majority, two thirds or three quarters as appropriate). This is for administrative flexibility. As above, we have also provided for an ability to do this by electronic means.

5 **Board composition and appointment (rules D2 – D12)**

- 5.1 We have included general provisions to give Westward increased flexibility in terms of the board. Any additional detail can be contained in policies as these can be more easily amended. Accordingly, we have provided for the board to consist of up to 12 board members (but no less than 5) who will be appointed for fixed terms of three years. Whilst the rule permits up to 12, the board does not have to comprise of this number and it can comprise of less people providing there is always a minimum of five. This gives flexibility to alter the board size from time to time.
- 5.2 Board members are to be appointed by the board from time to time, having been selected in accordance with the association's policy relating to the recruitment of board members as determined by the board from time to time. This policy will set out the process for selecting board members, eligibility and deal with other issues such as long stop on service. This policy will also apply to Westcountry. Because the appointments are being made by the board, the FSA may require reassurance that any adopted procedures do not result in loss of accountability in the association's governance and in this respect the board should ensure that any selection process is fair and democratic.
- 5.3 The rule which relates to appointment of two executive officers of Westward to the board (rule D2.2) has been retained but the word "shall" has been replaced with "may" so that such appointment is optional.

6 **Board members' interests (rules D14 – D25)**

The rules around board members' interests have been quite comprehensively redrafted to deal with the fact that Schedule 1 no longer exists and can no longer be used as a shorthand. We have therefore suggested drafting which reflects more closely what you would expect to see for a charitable RP like Westward. These provisions are, in effect, similar to the old Schedule 1 regime.

7 **Definitions (rule G)**

- 7.1 We have updated the definitions section. This includes (amongst other changes) updating the definition of the "Corporation" which is now defined as being the TSA or any future authority carrying on the same functions. We have also replaced references to the FSA with the "Registrar", which is defined as including any future authority carrying on the same functions.
- 7.2 Other definitions have been added or amended to reflect amendments that we have made throughout the rules.

Trowers & Hamlins LLP 15 December 2011

Appendix 4

Full versions of the Westcountry Rule changes are attached; these can be found after the notes.

Westcountry Housing Association Limited - note on proposed amendments to the rules

1 Purpose of review

1.1 The purpose of the review of the rules of Westcountry Housing Association Limited (**Westcountry**) was to reflect:

1.1.1 amendments to address the proposed new governance structure of Westcountry and in particular the overlapped board structure;

1.1.2 statutory and regulatory changes; and

1.1.3 certain general amendments to bring the rules up to date and in accordance with current best practice.

1.2 The following is a summary of the key changes proposed to the rules. Not all of the changes made are described in this note and the amended rules should be reviewed in full for a comprehensive understanding of the changes made.

2 Calling general meetings (rules C20-C21)

For administrative flexibility, we have provided for an ability to use electronic communication for the purpose of calling a general meeting. This will enable Westcountry to call general meetings more quickly. We have also permitted to call meetings on less than 14 clear days' notice if three quarters of shareholders (as opposed to all) agree.

3 Quorum for general and board meetings (rules C22 and D13)

The quorum for general and board meetings has also been amended to reflect changes to the board. We have suggested a smaller quorum than is currently the case. The quorum is now simply four people but the employees of Westcountry (or any other group member) must be in minority.

4 Voting (rules C34-C35)

Rule C34 has been amended and a new rule C35 has been added to make clear that resolutions can be passed in writing if the relevant requisite majority of the shareholders vote in favour of it (i.e. simple majority, two thirds or three quarters

as appropriate). This is for administrative flexibility. As above, we have also provided for an ability to do this by electronic means.

5 Board composition, appointment and removal (rules D2 – D12)

5.1 We have included general provisions to give Westcountry increased flexibility in terms of the board. Any additional detail can be contained in policies as these can be more easily amended. Accordingly, we have provided for the board to consist of up to 12 board members (but no less than 5) who will be appointed for fixed terms of three years. Whilst the rule permits up to 12, the board does not have to comprise of this number and it can comprise of less people providing there is always a minimum of five. This gives flexibility to alter the board size from time to time, with the consent of the parent.

5.2 Board members are to be appointed by the parent, having been selected in accordance with the association's policy relating to the recruitment of board members from time to time – which will be determined by the parent, in accordance with intragroup arrangements. The policy will set out the process for selecting board members, eligibility and deal with other issues such as long stop on service.

5.3 The rule which relates to appointment or co-option on Westcountry's managing director or other directors to the board (rule D5.2) has been amended slightly for consistency with the provision contained in Westward's rules (please refer to new rule D2.2).

6 Board members' interests (rules D14 – D25)

The rules around board members' interests have been quite comprehensively redrafted to deal with the fact that Schedule 1 no longer exists and can no longer be used as a shorthand. We have therefore suggested drafting which reflects more closely what you would expect to see for a charitable RP like Westcountry. These provisions are, in effect, similar to the old Schedule 1 regime.

7 Definitions (rule G15)

7.1 We have updated the definitions section. This includes (amongst other changes) updating the definition of the "Corporation", which is now defined as being the TSA or any future authority carrying on the same functions. We have also replaced references to the FSA with the "Registrar", which is defined as including any future authority carrying on the same functions.

7.2 Other definitions have been added or amended to reflect amendments that we have made throughout the rules.

Appendix 5

Attached at Appendix 5 is a background paper from Campbell Tickell on the operation of common boards.

Common Purpose Boards – Notes on Others' Experiences

1.1 Westward's Governance Project Group (GPG) is reviewing the options for the Group structure, and has appointed Campbell Tickell to support this process. As Common Purpose Boards form a key part of some of the simplification options under consideration, the GPG has asked us to undertake some research into others' experiences of running these structures.

1.2 Common Purpose, Virtual or Combined Boards are different terms used to refer to structures used to reduce the overall number of board members across two or more legal entities to a core that all sit on all the Boards involved. The boards meet together allowing one group of board members to take decisions on behalf of two or more legal entities, thus removing duplication and lowering costs.

1.3 Sue Harvey of Campbell Tickell spoke to four people involved in advising on or implementing associations' use of virtual Boards: one chief executive, one company secretary, one interim governance manager for two organisations, and one legal advisor.

Why

2.1 In all cases the principal driver was to achieve a simplification of governance structures without triggering a loan re-pricing. Without the constraints of the current funding markets, all organisations would have chosen other routes to simplification including full merger, transfer of engagements or amalgamation.

2.2 The drivers for simplifying the group structures were around reducing duplication, improving the quality and speed of decision making, reducing the bureaucratic burden of the governance structure and reducing demands on staff time.

2.3 Setting up Common Purpose Boards was therefore a way of:

- Staving off a re-pricing indefinitely; or
- Strengthening a negotiating position with lenders, with the objective of obtaining their consent in return for a one-off fee rather than a re-pricing over the remaining term of the loans; or
- Building the evidence of benefits of simplification against the fees that lenders are requiring.

What

3.1 Two organisations established what they called a Virtual Board for all their RPs. One established Common Purpose Boards that combined all the subsidiary boards, but left the Group Board as a separate entity.

3.2 Following legal advice two organisations retained one or two non-common members of each legal entity Board to enshrine an element of independence on each Board. So for example a group Board and two subsidiary Boards formed a combined Board of 14 members, 11 common to all three Boards and one non-common member of each legal entity's Board.

3.3 The organisation that has two non-common Board members on each entity Board, specifically retains the Chairs of the legal entities and one local-authority member as non-common.

3.4 A third organisation has combined the Boards of its non-asset owning parent with four RP subsidiaries. They felt that their structure already provided for a high degree of central control and therefore they made a strong case to their legal advisors that one non-common member on each Board would not add to the level of independence of decision making. Instead they opted for a structure where each Board has identical members, with each subsidiary's Board containing one Portfolio Holder that holds a golden vote on matters that affect that subsidiary.

3.5 For decisions where there might be a conflict or mis-alignment between the interests of the parent and that subsidiary, the Portfolio Holder is required to take a bit of a step back and consider the implications for that one entity. The golden votes have not yet been used, and it is anticipated that if they ever were the Parent Board (which is the same people sitting at the same time), would immediately take a vote and overrule the subsidiary Board. The net effect being that a considered discussion would be forced by the need to minute separately both the discussions of the separate Boards and the vote of the Portfolio Holder. The lawyers and the TSA are happy with this approach.

3.6 In one organisation, Board members of a particular subsidiary (who are also members of the Common Purpose Boards), may choose in exceptional circumstances to meet separately from the virtual Board. Such circumstances have not as yet arisen. These circumstances and procedures are set out in the Standing Orders.

3.7 All organisations have combined the simplification of the governance structures with a strengthening of the local service scrutiny mechanisms. Freed from the company director responsibilities for statutory accounts etc these structures have greater resident involvement and clearer responsibility for providing assurance to the Common Purpose Boards as to the quality of service delivery.

3.8 One organisation had negotiated local authority representation down from 4 on each subsidiary Board to 4 (non-common members) on its Virtual Board and in return had agreed to both representation on their local service scrutiny structures and to formal scrutiny of local service performance and future plans via a report and presentation to the appropriate council committee once or twice a year. They have found this to be a very positive move, enhancing the relationship with the local authorities.

3.9 None of the organisations required lender consent for the move to virtual Boards.

Outcomes

4.1 One organisation implemented the changes in the summer of this year, and have had two meetings of its Virtual Board since then. They are extremely positive about the results and are surprised at how quickly new behaviours and non-silo working have become established. Everyone is speaking with a “we” rather than an “us and them” view and the outcomes have been better and faster than anticipated.

4.2 The organisation using the Portfolio Holders has been running with its new Common Purpose Board since April of this year. They consider that it has eliminated a great deal of duplication and really empowered the local customer service committees. They feel that the role of the new combined Board is clearer and that it is delivering a more effective challenge to the executive team.

4.3 One organisation has been running its new Virtual Board for over one year and has held 10 meetings under the new system. They are clear that the move “has certainly cut down on internal processes”, reducing time lines, improving the quality of decision making and increasing the effectiveness of governance to a considerable degree. They believe that the change has resulted in some savings but not to a significant degree.

Issues

5.1 All organisations noted the need to put effort and attention to detail into minuting meetings. The separate legal entities still need to maintain separate minutes, noting the decisions made for that organisation alone. Where non-common members exist, it is necessary to maintain separate attendance records, apologies for absence etc. In addition where non-common members exist and votes are taken, separate voting records need to be kept. One association commented that this required increased company secretary oversight of the drafting of the minutes. Another commented whilst this was a chore for the minute taker, it was definitely a bearable cost relative to the considerable benefits gained.

5.2 On the advice of its lawyers, one organisation has taken a great deal of care over the language it uses to describe the structures in order to underling that the individual Boards still exist and that the Board members have separate duties as company directors to each entity. They use the term “Common Purpose Boards” in the plural, and refer to the meetings as the Boards meeting with common purpose. They have also changed how they use the term ‘independent members’ which used to refer to non-resident, non-local-authority members on the transfer subsidiaries. Now it is used to describe the non-common members of the new Common Purpose Boards.

5.3 Other issues noted by one or more organisations include:

- The need to be very clear on report cover sheets which organisation(s) the report is addressed to and to list separately the recommendations to each separate Board even when they are the same for all entities.
- As a result of the changes they have fewer Board members doing more work, and in some instances this has required more training and greater support to members
- Negotiating the changes to local authority Board membership took a great deal of time

- A lot of time was spent regularising the constitution of the legal entities, between charities and non-charities and between I&Ps and non-I&Ps.
- Continued frustration at not being able to complete the full legal simplification.

5.4 Concerns about how conflicts of interest would be managed within Common Purpose Boards structures were chief of those of the legal advisor. Thinking particularly about potential transfers of resources between legal entities with the same Board members, he noted that all company directors have an obligation to act in the interests of that company and that charity trustees have a responsibility to avoid any actions that dissipate the funds available to their beneficiaries. Careful consideration of the make-up and procedures of the Common Purpose Boards, plus recognition of the existing powers of the Parent can assist in managing these concerns.

Sue Harvey, Campbell Tickell 24th Nov 2011