

 Northwards Housing North Manchester's Council Homes	Report to: Northwards Housing Board 10 August 2010	Item No: 9c

Title:	Code of Governance		
Date:	30 July 2010		
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Confidential:	Yes		
For: (Please tick action required)	NOTING	DISCUSSION	APPROVAL ✓

PURPOSE OF REPORT

To ask the Board to adopt a code of governance following discussions at the Board Away Day 10 July 2010.

RECOMMENDATION

It is recommended that the Board formally adopts **The Good Governance Standard for Public Services (The Langland's Report)**. The Board has experience of this Code and has embedded the principles within its decision making processes. The Code is recognised as a suitable code for both RSL and Local Authority Landlords. The Code has also supported Northwards in developing excellence in governance over the past four years.

IMPLICATIONS

Equality & Diversity:	The values of the organisation are a key principle in good governance
Financial:	None directly
Staffing:	None directly
Decency Target:	None directly
Governance:	The Langlands Report is perceived as the key source of reference good governance.
Risk Assessment:	

Equality Impact Assessment (EIA) – not applicable
 When a new policy, procedure or initiative is being submitted for approval an Equality Impact Assessment must have been completed. Please give details below.

Consultation/Consideration:

	Yes, No or N/A:	Name:	Date:
Sub-Committee:	n/a		
Area Panel:	n/a		
Task Groups:	n/a		

Ward Councillors:	n/a		
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1. Purpose of Report

To ask the Board to adopt a code of governance following discussions at the Board Away Day 10 July 2010.

Attached (appendix 1) is the report considered at the Away Day which gives background information.

2. Summary of Codes of Governance

There has been a series of commissions and reports that have resulted in a number of codes of practice.

The Key Codes of Corporate Governance

a) The Combined Code on Corporate Governance 2006

This is the voluntary code developed by the commercial business sector of public limited companies. This code was reviewed in 2010 the main principles of the code are

- Leadership
- Effectiveness
- Accountability
- Remuneration
- Relations with Shareholders

The code is not a rigid set of rules. It consists of principles and provisions. The principles are included in other codes; however there are some provisions which are more relevant to plc's.

b) The Committee on Standards in Public Life (Nolan)

In response to political scandals the Nolan Committee set standards for those engaged in public life. It set out 7 principles to be followed. These are included in Northwards current Code of Conduct.

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership.

c) The Good Governance Standard for Public Services (The Langland's Report)

Underpinning the Standard is an expectation that members of the public or their representatives can ask questions if they want to understand or challenge the governance of public service organisations, in order to test its openness and accountability.

This independent commission set out 6 principles of good governance. They concluded that good governance means:

- Focusing on the organisation's purpose and on outcomes for citizens and users
- Performing effectively in clearly defined functions and roles
- Promoting values for the whole organisation and demonstrating the values of good governance through behaviour.
- Taking informed, transparent decisions and managing risk
- Developing the capacity and capability of the governing body to be effective
- Engaging stakeholders and making accountability real.

This Code has been used as the regulatory code of governance for social housing (both local authority owned and housing association) sector in Scotland.

d) National Housing Federation (NHF) Code of Governance

This was based on the Combined Code (as above)
Registered Social Landlords in England were required to sign up to this Code under the previous regulatory arrangements. The Code has recently been updated and takes into consideration changes in regulation. The NHF Code is more prescriptive and provides good practice guidance.

There are 9 principles:

- Ethics
- Accountability
- Customer first
- Openness
- Diversity and inclusion
- Review and renewal
- Clarity
- Control
- Structures

All are exemplary codes and the TSA has not recommended any particular code under the new regulatory regime. It is of more importance that the Board consider the most appropriate code and how compliance is achieved. The TSA Standard on Governance and Viability does not directly apply to Local Authorities or ALMO's. However, there is an expectation that the principles of good governance will apply.

3 Recommendation

It is recommended that the Board formally adopts **The Good Governance Standard for Public Services (The Langland's Report)**. The Board has experience of this Code and has embedded the principles within its decision making processes. The Code is recognised as a suitable code for both RSL and Local Authority Landlords. The Code has also supported Northwards in developing excellence in governance over the past four years.

Code of Governance

There are a number of Codes of Governance including:

NHF Code of Governance

The Combined Code of Corporate Governance 2006

The Scottish Housing regulator regulatory Code of Corporate Governance

The Committee on Standards in Public Life (Nolan)

The Good Governance Standard for Public Service (Langlands)

The codes have been compared and in summary whilst there are some differences they are similar in content. All are exemplary codes and the TSA has not recommended any particular code. It is of more importance that the Board consider which is the most appropriate code and how compliance is achieved. The TSA standard does not directly apply to Local Authorities or ALMO's however, there is an expectation that the principles of good governance will apply.

TSA Regulatory Framework

Governance

Required outcomes

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

- adhere to all relevant legislation
- comply with their governing documents and all regulatory requirements
- are accountable to tenants, the TSA and relevant stakeholders
- safeguard taxpayers' interests and the reputation of the sector
- have an effective risk management framework

Relevant Specific Expectations

Registered Providers will:

- adopt and comply with an appropriate code of governance. They shall give the reasons for their choice and explain areas of non-compliance with their chosen code.
- Establish and maintain clear roles, responsibilities and accountabilities for their board, chair and chief executive and produce an annual assessment of the effectiveness of their arrangements

The Board considered this matter in May 2006 and adopted The Good Governance Standard for Public Service (Langlands). It is recommended that the Board formally adopt this code and demonstrate how compliance is met.

In order to refresh the principles, the report the Board considered in May 2006 is detailed below. Followed by the suggested questions Boards consider in order to assess compliance. Review of this code will give the Board the opportunity to update compliance with the code since this initial report.

Author Robin Lawler

The Board

- Noted this report
- Agreed the Langlands Report be used as a benchmark against which the company measures its governance performance;
- Board members agreed to be involved in the appraisal process and enter into personal training and development in order to build their competencies.

Background

The Commission, chaired by Sir Alan Langlands, issued its report in January 2005 on a common code for public service governance. The report sets out **six core principles of good governance for public service organisations** and is intended to “provide a basis for the public to challenge sub-standard governance” and to “encourage public bodies to review their own effectiveness”

The Commission was established by the Office for Public Management and the chartered Institute of Public Finance and Accountancy, in partnership with the Joseph Rowntree Foundation.

Using the Standard

The Standard is intended as a guide to aid the understanding of the governance of public services, to assess the strengths of current governance practise and to improve it.

The Report calls on “governing bodies” (in our case, the Board) to “report publicly on the extent to which they live up to the Standard and explain why and how they have adapted any principles and their applications to suit their type and size of organisation”.

Underpinning the Standard is an expectation that members of the public or their representatives can ask questions if they want to understand or challenge the governance of public service organisations, in order to test its openness and accountability.

Principles of good governance

The standard comprises six core principles, listed below with suggestions about how principles can be applied.

1. Focus on the organisation’s purpose and on outcomes for citizens and service users

There are twin aims of high quality services and value for money. The Board should ensure there is a clear statement of the company’s purpose, used as a basis for planning. The Board should also constantly review the decisions it takes.

This is catered for currently by: -

- The company’s vision, value and objectives
- The incorporation of those in the company’s Business plan and Delivery plan
- The review of the Business Plan and in the work programmes agreed by the Board and its Sub-Committees.

The Business Plan and supporting strategies, such as those dealing with communications and tenant involvement, also deal with the need for the company to have “processes in place to hear views of users and non-users from all backgrounds and communities about the suitability and quality of services” and to “use this information when making decisions about service planning and improvement”. The Board also follows identified good practice in comparing information about the efficiency, effectiveness and quality of service provided by similar organisations.

2. Performing effectively in clearly defined functions and roles

a) Be clear about the functions of the Board

This relates to: -

- Strategic direction and aims
- accountability for the company's performance
- giving assurance that the organisation is managed with probity and integrity

Resource allocation and monitoring; delegation to management and risk management are all covered under this heading. A process for holding "the executive to account for achieving agreed objectives and implementing strategy" is required. This may be met in the company's case by the appraisal process. In the case of the Board itself as an executive body, the proposed process for Board appraisals will assist in the delivery of this principle.

b) Be clear about responsibilities of the Board and Senior Managers and make sure that those responsibilities are carried out.

These matters for the Board are: -

- strategy development and decision making
- ensure effective management arrangements and personnel are in place
- delegation
- holding Senior Managers to account
- being "extremely discriminating about getting involved in matters of operational details"

Roles of Chairs are to lead the Board and ensure its effective contribution to the governance of the company. The Vice Chair supports the Chair and advises the Chair of any concerns that Board Members have about the conduct of the Board.

All Board members have collective responsibility for Board decisions and have equal status in discussions. Board members "should challenge individual governors if they do not respect constructive challenge".

c) Be clear about relations between Board Members and the public

Board members should "strive to make decisions that further the organisation's purpose, rather than the interests of any specific group."

An example of good practise (which the company follows) is the publication of "job descriptions for the chair, vice chair and chief executive."

3. Promote values for the whole company and demonstrate the values of good governance through behaviour

The Board should take the lead in promoting values which reflect public expectations about the conduct and behaviour of those who control public service and use values to guide its decision making. Individual behaviour is a major factor in the effectiveness of the Board. Examples of the types of values envisaged are: -

- Striving to reduce inequality among service users
- Promoting good relationships within the company
- Engaging willingly and actively with the public, service users and employees, within an agreed communication framework.

4. Take informed, transparent decisions and manage risk

- a) Being rigorous and transparent about how decisions are taken – this involves clearly defined levels of delegation and Board Members not involving themselves with levels of detail that are inappropriate to their role.

The Board “should be explicit about the criteria, rationale and considerations on which decisions are based and, in due course, about the impact and consequences of decisions.”

- b) Having and using good quality information, advice and support (to “significantly reduce the risk of taking decisions that fail to achieve their objectives or have serious unintended consequences”).

The Board “should not make disproportionate demands on the executive by asking for information that is not necessary or appropriate for the governing body’s role”.

- c) Making sure that an effective risk management system is in operation.

This would include a number of matters such as “a framework of assurance to show that risk management processes are working effectively.” This is an issue which the company is addressing for example, as part of the annual auditing and reporting process and by developing a risk management strategy.

5. Developing capacity and capability of the Board to be effective.

- a) Make sure Board Members have the skills, knowledge and experience they need to perform well.

The Board “should decide how to encourage more people, from a wider cross-section of society, to come forward as potential governors. This includes reviewing the governor’s role to make sure that: it is fulfilling and coherent; it is feasible to do within the time and with the support available; and it is sufficiently well understood by potential governors. The search for a more diverse membership of the governing body should not be at the expense of a membership that has the necessary skills.”

- b) Develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.

Appraisal and performance reviews of individual Board Members have been agreed. “Individual governors should be held to account for their contribution through regular performance reviews. These should include an assessment of any training or development needs.”

- c) Strike a balance, in the membership of the Board, between continuity and renewal.

6. Engage stakeholders and make accountability real.

- a) Understand formal and informal accountability relations.

Examples for the company would include relationships with the Council, as owner both of the company and of the housing stock managed, and with strategic partners, through contractual and partnerships mechanisms.

- b) Take an active and planned approach to dialogue with the accountability to, the public.

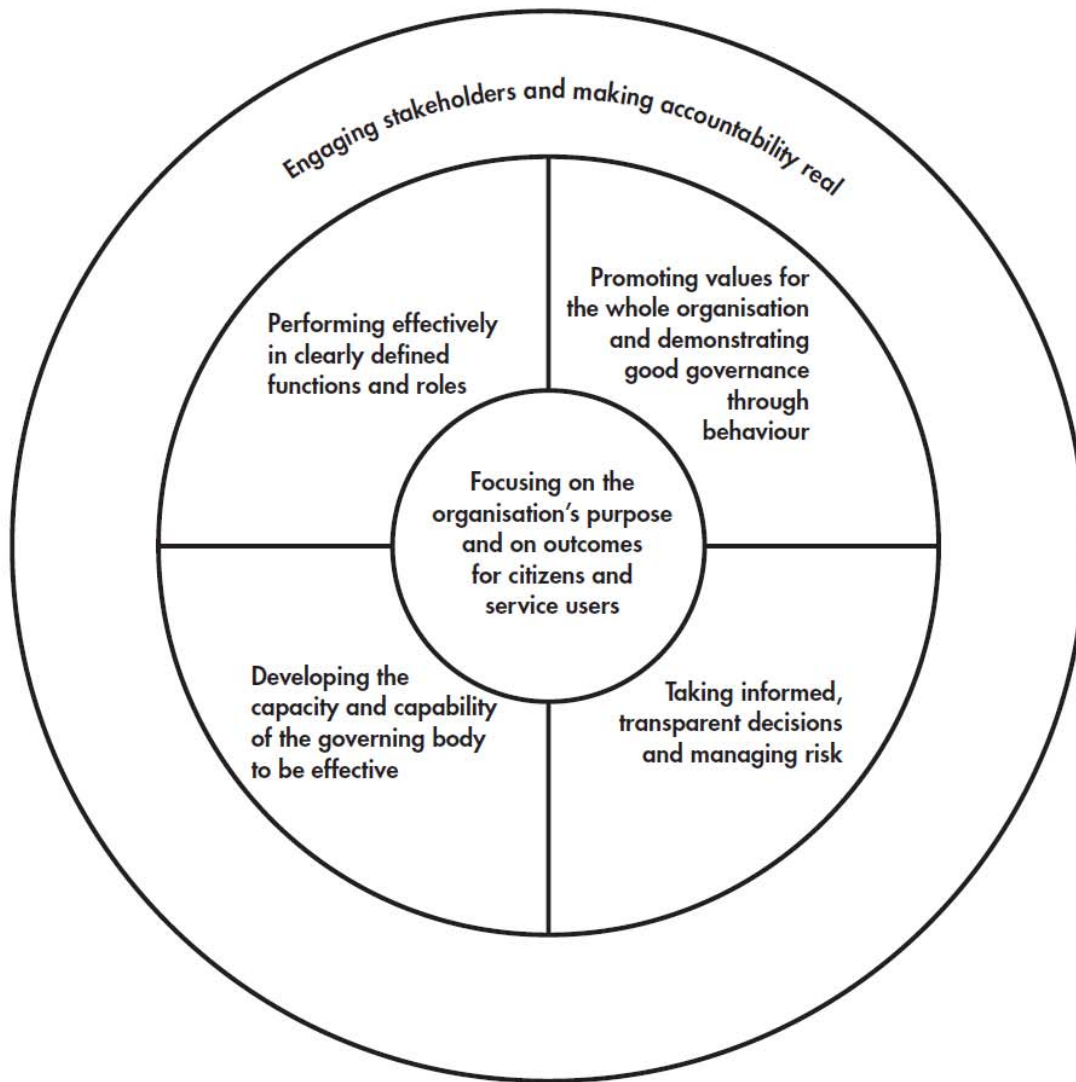
Each year, the Board should publish the company’s “purposes, strategy, plans and financial statement, as well as information about the organisation’s outcomes, achievements and the satisfaction of service users in the previous period.

- c) Take an active and planned approach to responsibility to employees.

- d) Engage effectively with institutional stakeholders

Principles of good governance

The standard comprises six core principles of good governance, each with its supporting principles.



Appendix A: Assessment questions for governors and governing bodies to ask themselves

1. Good governance means focusing on the organisation's purpose and on outcomes for citizens and users

- ◆ How clear are we about what we are trying to achieve as an organisation? Do we always have this at the front of our minds when we are planning or taking decisions? How well are we doing in achieving our intended outcomes?
- ◆ To what extent does the information that we have about the quality of service for users help us to make rigorous decisions about improving quality? Do we receive regular and comprehensive information on users' views of quality? How could this information be improved? How effectively do we use this information when we are planning and taking decisions?
- ◆ To what extent does the information that we have on costs and performance help us to make rigorous decisions about improving value for money? How effectively do we use this information when we are planning and taking decisions? How well do we understand how the value we provide compares with that of similar organisations?

2. Good governance means performing effectively in clearly defined functions and roles

- ◆ Do we all know what we are supposed to be doing?
- ◆ Is our approach to each of the governing body's main functions clearly set out and understood by all in the governing body and the senior executive? What does the size and complexity of our organisation mean for the ways in which we approach each of the main functions of governance?
- ◆ How clearly have we defined the respective roles and responsibilities of the non-executives and the executive, and of the chair and the chief executive? Do all members of the governing body take collective responsibility for the governing body's decisions?
- ◆ How well does the organisation understand the views of the public and service users? Do we receive comprehensive and reliable information about these views and do we use it in decision making?

3. Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour

- ◆ What are the values that we expect the staff to demonstrate in their behaviour and actions? How well are these values reflected in our approach to decision making? What more should we do to ensure these values guide our actions and those of staff?
- ◆ In what ways does our behaviour, collectively as a governing body and individually as governors, show that we take our responsibilities to the organisation and its stakeholders very seriously? Are there any ways in which our behaviour might weaken the organisation's aims and values?

4. Good governance means taking informed, transparent decisions and managing risk

- ◆ How well do our meetings work? What could we do to make them more productive and do our business more effectively?
- ◆ Have we formally agreed on the types of decisions that are delegated to the executive and those that are reserved for the governing body? Is this set out in a clear and up-to-date statement? How effective is this as a guide to action for the governing body and the executive? How well do we explain the reasons for our decisions to all those who might be affected by them?
- ◆ Is the information we receive robust and objective? How could the information we receive be improved to help improve our decision making? Do we take professional advice to inform and support our decision making when it is sensible and appropriate to do so?
- ◆ How effective is the organisation's risk management system? How do we review whether this system is working effectively? Do we develop an action plan to correct any deficiencies in the systems? If so, do we publish this each year?

5. Good governance means developing the capacity and capability of the governing body to be effective

- ◆ What skills have we decided that governors must have to do their jobs effectively? How well does our recruitment process identify people with the necessary skills and reach people from a wide cross-section of society? What more could we do to make sure that becoming a governor is practical for as many people as possible?
- ◆ How effective are we at developing our skills and updating our knowledge? How effective are our arrangements for reviewing the performance of individual governors? Do we put into practice action plans for improving our performance as a governing body?

- ◆ What is our approach to finding a balance between continuity of knowledge and renewal of thinking in the governing body? What are our reasons for this approach? Do we need to review it?

6. Good governance means engaging stakeholders and making accountability real

- ◆ Who are we accountable to and for what? How well does each of these accountability relationships work? Do we need to take steps to clarify or strengthen any relationships? Do we need to negotiate a shift in the balance between different accountability relationships?
- ◆ What is our policy on how the organisation should consult the public and service users? Does it explain clearly the sorts of issues on which it will consult which groups and how it will use the information it receives? Do we need to review this policy and its implementation?
- ◆ What is our policy on consulting and involving staff and their representatives in decision making? Is this communicated clearly to staff? How well do we follow this in practice? How effective are systems within the organisation for protecting the rights of staff?
- ◆ Who are the institutional stakeholders that we need to have good relationships with? How do we organise ourselves to take the lead in developing relationships with other organisations at the most senior level?

Applying the good governance Standard

- ◆ To what extent does the *Good Governance Standard for Public Services* apply to our organisation, bearing in mind its type and size?
- ◆ Are we upholding and demonstrating the spirit and ethos of good governance that the Standard sets out to capture?
- ◆ Do we have a process for regularly reviewing our governance arrangements and practice against the Standard? What further improvements do we need to make?
- ◆ Are we making public the results of our reviews and our plans for future improvements and are we inviting feedback from stakeholders and service users?