

Business case for Governance Changes at Valleys to Coast Housing Association

Executive Summary

This report sets out the rationale for changes to the governance structures at Valleys to Coast. The report provides detail on the proposed changes; the reasons behind them; the impact of the changes and how Valleys to Coast and Bridgend Borough Council (BCBC) can continue to work closely together to provide the best results for the people of Bridgend.

The organisation has always struggled to fill the tenant places. This is due to two influencing factors; the first is that tenants do not want to take up these roles due to other commitments and interests. The second barrier has been a very onerous and convoluted ballot process that the current rules have in place for tenant members only. Despite countless campaigns over the years, and an on-going soft marketing approach, Valleys to Coast has rarely sustained full tenant membership on the Board.

Statutory and legislative changes

Housing Associations were traditionally classed as private sector for borrowing purposes. The Office for National Statistics reclassified associations as public sector a number of years ago, which had the unwelcome impact of including their debt in the public sector, thereby affecting the amount of funding they could receive. Legislation was required to change governance in housing associations to allow housing associations to return to their original classification. The Regulation of Registered Social Landlords (Wales) Act 2018 gained Royal Assent in 2018, and its key to note that the legislation changed the way that local authority representation on Board would work. The Act determined that local authority appointees could not constitute more than 24% of the Board. Valleys to Coast has applied this legislation to the Board, and the impact of this was to reduce the three BCBC nominated positions on the Board to one. This has prompted further consideration of governance at Valleys to Coast and has made the need to change the rules to something more relevant for the issues we face in 2019, and beyond, more acute.

Good Practice

In order to guide Housing Associations and provide some consistency across the sector, our Trade Body, CHC has worked with WG to provide a comprehensive set of model rules, which have been designed to reflect:

- the specific regulatory framework in Wales and associated legislation and guidance;
- the accompanying greater emphasis being placed on Boards' duties to uphold the best standards of governance and to effectively monitor the financial health of their Association;
- the move to a less prescribed framework and greater flexibility for housing associations to develop governance arrangements that support their individual cultures and circumstance; and
- more modern accepted business practices for the sector and beyond.

Although they are not mandatory, they do provide a useful framework that has now been tried and tested since their introduction in 2013 and this is reflected in the latest review of the rules in 2017.

We are also aware that WG expects the direction of travel for Welsh housing associations to move towards adopting CHC's model rules, and many housing associations have already completed this adoption. We believe that rules which are specifically created to relate to the issues Welsh housing associations face will be instrumental in improving governance and working relationships.

One of the key principles of the model rules is having a skills-based Board, where members have equal footing and bring their collective skills and experiences to provide the best leadership and governance for the organisation. Those skills are critical to effective decision making and responsiveness to local and strategic issues. In a skills based Board there would not be a dedicated, automatic local authority designated position on the Board going forward, but if there are local councillors or residents who have the relevant skills and experience, then we would be keen to appoint them on that skills basis.

Customer Engagement

Automatic tenant representation on the board has traditionally been seen as one method for the tenant's voice to be heard in housing associations. It is worth noting therefore that the number one Strategic Objective of Valleys to Coast is putting our customers at the heart of everything we do. This is evidenced through our customer service programmes; our comprehensive insight data that is collated by an independent third party; our process improvement projects and our culture transformation initiatives. This year, we have begun work on a new "Customer Experience Strategy" which looks to extend the ways in which we hear the voice of the customer in our business, so that we can design our services to more effectively meet their requirements. It will also look for ways to modernise our approaches so that we can maximise the impact of technology to make it easier for our customers to access and enjoy our services. The change from automatic to skills based representation will not dilute this vital emphasis on the customer and our communities.

Working in partnership

Valleys to Coast see BCBC as its key strategic partner as we are both key anchor organisations in the foundational economy in Bridgend. There are very many opportunities to work together and these are being progressed throughout the Borough and across all sorts of projects, following on from the achievement of the original promises made in 2003. Some examples include the town centre regeneration, Bettws Life Centre, Wildmill rubbish collections, the Innovative Housing Projects and connections with the Employability Bridgend Programme, to name but a few. We are keen to strengthen the partnership and bring our collective resources to gain more synergy and impact for the people of Bridgend in challenging times.

Whilst there is no requirement to have a formal agreement between Valleys to Coast and BCBC, in the true spirit of partnership working and to underline our commitment to our customers, we have drawn up a "Memorandum of Understanding" to symbolise our authentic commitment to our tenants and to the local authority as we maintain our position of being a significant and sustained contributor to the Bridgend economy, community and employment.

Valleys to Coast is keen to keep strengthening and developing its relationship with the Council going forward. As part of this approach, Valleys to Coast will work with the Council to recognise and understand the Council's main priorities and ambitions. The key priorities will help to inform and

shape Valleys to Coast's future plans. This has already been commenced with the two organisations working together on things like developing social housing and regenerating the town centre.

Within the Memorandum of Understanding we make explicit our commitment to BCBC, which will be seen through the delivery of an annual presentation to the full Council which sets out its work, engagement with the Council scrutiny panel to support transparency and we will commit to actively participate in quarterly strategic meetings with BCBC.

Proposal

The Board of Valleys to Coast is keen to move to a skills based board in the near future. This will be constituted of 9 independent people, who collectively hold the relevant skills and experiences to make the best contribution to the organisation. The skills requirement matrix has been developed to include customer service skills; experience of living in a Valleys to Coast home and local activism alongside a range of financial; governance and business skills. It is envisaged that these particular additional skills and experiences are likely to favour residents and elected members, who may be keen to contribute to the work of Valleys to Coast.

There is no intention to preclude tenants and residents from becoming Board Members, but any candidate's suitability would be subject to complying with the skills matrices in the Board's Board Member recruitment policies. The Board determines what skills criteria are required from their Board Members. The Board skills matrix has specifically been developed to give weight to skills and experiences that residents and elected members would be likely to hold and lived experience and local knowledge are part of and will continue to be part of the skills scoring criteria.

The Board of Valleys to Coast is therefore seeking the agreement of BCBC to remove the tenant constituency requirement from its rules, with immediate effect, and offers to make commitments to the Council around its on-going working relationship in return.