



EFFECTIVENESS REVIEW FRAMEWORK

SEPTEMBER 2020

A. Introduction

The Board, Representative Body, Committees/Commission and Subsidiaries play a vital role in delivering the long-term success of RBH both through shaping its purpose and values and in ensuring sound performance on an ongoing basis. The composition and evaluation of performance of RBHs governing bodies is central to excellent corporate governance practices.

Effectiveness reviews will enable the Governing Bodies to assess their strengths and areas for development and to identify the changes that will enable them to manage the business effectively. All Governing Body Members will be asked to take part in the annual effectiveness review process to ensure that the Board, Representative Body, Committees/Commission and Subsidiaries of the Board remain fit for purpose and are carrying out their role and responsibilities in line with RBH Rules.

It is for RBH to decide what best suits its governance arrangements.

Part of the appraisal process is for the Board, Representative Body, Committee/Commission and Subsidiary Members to review their skills and knowledge which will feed into the overall effectiveness review report to identify training and development areas but also to ensure that they have the right competencies, experience and technical knowledge appropriate to the size, scale and risk profile of RBH.

B. Governance Requirements

RSH Governance and Viability Standard

Section one of the standard requires:

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 registered providers:

- (a) Adhere to all relevant law
- (b) Comply with their governing documents and all regulatory requirements
- (c) Are accountable to tenants, the regulator and relevant stakeholders
- (d) Safeguard taxpayers' interests and the reputation of the sector
- (e) Have an effective risk management and internal controls assurance framework
- (f) Protect social housing assets.

The RSH Governance and Viability standard states requires the following:

- Assess the effectiveness of your governance arrangements at least once a year; and
- Ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.

The accompanying Code of Practice states that:

“Assessment of the effectiveness of governance arrangements may vary in terms of depth and scope in line with internal and external environment”.

- It is the Board's responsibilities to act lawfully and responsibly. Compliance will include both behavioural aspects, such as ensuring that the Board and Executive foster a culture of constructive challenge and debate, and good governance practices;
- Have an appropriate skills strategy to address the needs of the business;
- Regularly assess whether Boards and management have the right competencies, experience and technical knowledge appropriate to the size, scale and risk profile of the organisation;
- Ensure that all material decisions are made with appropriate internal/external expert or advice; and

- Have plans to address any skills gaps identified and monitor them to ensure that they are followed through.

NHF 2020 Code of Governance

Principle 3 – Board Effectiveness

The organisation is led by a skilled and diverse Board which regularly reviews and capably manages its own performance and effectiveness, and ensure that it complies with this Code.

3.9 The Board reviews and seeks to improve its performance.

- (1) All Boards and Committees consider their effectiveness annually and assess how they conduct their business, including their:
 - (a) Composition, skills, experience and diversity
 - (b) Effectiveness in role-modelling the desired culture, values and behaviours of the organisation;
 - (c) Governing instruments, delegations, regulations, standing orders, structures, systems and other formal documentation as referred to in this code.
 - (d) Timing and frequency of meetings;
 - (e) Format of agendas, quality and scope of papers, minutes and communications;
 - (f) Effectiveness of decision-making, including how the views and needs of key stakeholders, including residents and other customers have informed decisions;
 - (g) Compliance with this code and legal duties
- (2) These matters are regularly and formally reviewed.

Meeting the Requirements

The Mutual Governance Commission will annually consider the approach for the effectiveness review using the key principles set out in this Framework. This will enable different approaches, so avoiding repetition and will help to prevent a tick box approach.

In determining the approach of each element of the effectiveness review, due regard shall be had for the RSH and NHF requirements listed at paragraph B. The matrix at Appendix 1 is to be used to ensure each element of the framework fully satisfies the relevant requirements.

C. Objectives

The ultimate objective of any effectiveness review will be to ensure that the governing bodies are effective, that those in key roles are able to execute them well and that governance arrangements work in a way that supports the achievement of RBH's purpose and the Corporate Strategy.

The objectives of the effectiveness review will be to establish:

- How well the governing bodies perform according to its legal duties and terms of reference;
- Ownership of strategic risks - framing of risk appetite and understanding of events that can have a material impact on the Society;
- Whether there is time and space for the Board to look ahead and see what is on the horizon and modelling of potential scenarios;
- Whether management information supports honest, relevant and current account of a range of performance issues – financial, development, services, health and safety, human resources etc;
- How well the governance and legal structures serve the needs of RBH;
- The compliance of the key governance documents with regulatory and legal requirements and good practice;

- How the governing bodies are viewed by key stakeholders such as regulators, investors, local authorities, Members, tenant groups and employees;
- Whether the Representative Body works well and how this links up with the Board;
- Whether the Committees and Subsidiaries work well and how these link up with the Board;
- How well the Board, Representative Body, Committees and Subsidiaries business is conducted – meeting frequency and times, agendas, papers, efficacy of chairing etc;
- How well decision-making is undertaken by the governing bodies;
- Whether the right skills are distributed across the governance structure;
- How clearly and appropriately delegations are understood and work across the governance structure and within the Executive;
- Behaviours, culture and dynamics – both within the Board, Representative Body and Committees and the Executive Team – including how well the governing bodies work as a team, develops and builds on contributions to create an interplay of members effective engagement outside of meetings;
- The quality of challenge and support supplied by the governing bodies to the Executive Team; and
- Areas for development.

D. Preparatory Work

Self-assessment questionnaires will be reviewed and agreed by the Board Chair prior to distribution to governing body members.

An example programme of events is outlined at Appendix B however this will vary in terms of length and scope depending on the agreed approach. The Year 3 effectiveness review will take longer to deliver and a timetable for delivery will be provided by the Consultant.

E. Effectiveness Review Process

It is for RBH to decide what best suits its governance arrangements, i.e. whether to implement the same process each year, or whether to adopt an alternating approach of questionnaires, facilitated discussions, peer review or a varied combination.

However, there must be formal Effectiveness Review at least every three years which will involve a more extensive approach.

All effectiveness reviews will encompass the performance of:

- The Board as a whole;
- The Representative Body;
- Committees/Commission;
- Subsidiaries; and
- Any Committee or Subsidiary Members who are not Members of the Board.

There is no particular prescription, regulatory or otherwise that requires Boards to use forms or questionnaires as part of the approach. Effectiveness reviews may follow the cycle of:

Year 1 - Completion of a questionnaire and facilitated discussion at an away day or extended Board/Representative Body/Committee/Subsidiary meeting to discuss collective performance.

Year 2 - As Year 1, but may include a form of peer review.

Year 3 – External evaluation

If there is significant change within the sector environment and/or the ambitions of RBH change, or there are changes to the Membership of its governing bodies, the effectiveness review cycle may be reformed.

The effectiveness reviews will also include an element of input obtained from the Executive Team and their views will be gauged on how the Board, Representative Body, Committees/Commission and Subsidiaries:

- Engage with the strategic objectives
- Challenge their proposals and recommendations
- Scrutinise the organisation's operational performance

Year 1

This will take the form of a questionnaire and a facilitated discussion at an away day or extended meeting managed and serviced by the Governance Team. An example of the facilitated discussion topics are outlined in Appendix C. Appendix D is the standard questionnaire which will be reviewed annually and agreed prior to distribution by the Board Chair.

One to one discussions will be held with the Representative Body Chair and Board Chair to obtain views on effectiveness of their respective bodies supported by the Governance Team as well as presentation of results of the self-assessments and feedback.

Effectiveness Review questionnaires will be broadly based on the following themes:

- Duties
- Conduct of Business
- Governance and legal structure (including the mutual and committee structure) and framework
- Housekeeping and Secretarial
- Size and composition (including diversity of the governing bodies)
- Skills, renewal and succession/recruitment
- Perceptions of key stakeholders
- Delegations and oversight of activities
- Management information and decision making
- Risk, audit and assurance
- Horizon scanning
- Development
- Culture and dynamics of the Board, Representative Body and Senior colleagues
- Progress against previously agreed effectiveness actions

Year 2

This will take the same approach as Year 1 but may also include a peer review will also take place with a similar organisation who has governing structure not dissimilar to RBH and could be from both within and/or outside of the Housing sector.

Year 3 - Independent / External Effectiveness Reviews

There is a requirement that at least every three years there will be an independent formal effectiveness review to ensure best practice, and that documentation is compliant with the latest legislation and regulations. This will demonstrate transparency and invites independent challenge to how RBH's governance is performing with any areas identified for improvement mapped into an action plan. Any external support will have clear terms of reference.

This will include a more in-depth review and as a minimum will consider:

- The level of debate on proposals or recommendations
- The Board and Representative Body's awareness and the Executive of its governance responsibilities
- The degree of scrutiny of operational performance
- The number and quality of contributions made by individuals
- The skills of the Chairs
- The interaction between the Board, Representative Body, Committees, Subsidiaries and Executive Team
- Observations based on knowledge of peer organisations
- Balance between supervisory (approving strategy/overseeing the implementation of the strategies, holding executives and management to account for performance and overseeing risk and compliance) and stewardship (informing and helping to shape the future direction and health of RBH with the Executive, advising on areas of investment, fostering greater innovation, responding to changing environments, developing organisation talent and culture).

F. Outputs

Each effectiveness review will produce the following:

- Reports to Board and Representative Body which will include;
 1. Review of the Board and Representative Body Activities for the past 12 months – how they balance between supervisory and stewardship activities; and
 2. The impact that the Board and Representative Body is having
- Individual or collective objectives;
- Governance Effectiveness Action Plan; and
- Development Programmes

The report will include analysis of the findings of both strengths as well as areas for improvements and any recommended actions to discuss and agree to form the Governance Effectiveness Action Plan. The delivery of any resultant action plans will be monitored quarterly by the Mutual Governance Commission.

Any identified areas development activities will be based on an analysis of the feedback from individuals and the governing bodies to ensure that individuals remain up to date and continue to add value.

The Development Programmes will take into account both individual and collective development needs and will be shared with the Board and Representative Body at least annually and monitored quarterly by the Mutual Governance Commission.

G. Responsibilities

The effectiveness review process will be administered and supported by the Company Secretary, Governance Team and any appointed Consultants.

All Board, Representative Body, Committee/Commission and Subsidiary Members have a responsibility to proactively engage in the process.

The responsibility for ensuring that appropriate effectiveness reviews are carried out sits with the Chair of the Board.

H. Appendices

- A – Matrix showing how effectiveness review elements satisfy RSH and NHF requirements**
- B – Example process for effectiveness reviews**
- C – Example Effectiveness Meeting Discussion Topics**
- D – Example Board, Committee/Commission and Subsidiary Effectiveness Review Questionnaire**
- E – Example Representative Body Effectiveness Review Questionnaire**