

SFHA
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**Payment of Board
members in practice**

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Who pays?

- In a 2017 survey of 153 associations in England:
 - 75% of participating associations paid Board Members
 - Payment in relation to stock size showed that where stock is less than 2000 units, Board members received an average annual payment of £2000 (Chair £5500).
 - When stock size reached 5000 units, the average payment is £3400 (Chair £8323).

• Source: Campbell Tickell Board Pay Survey 2017

This Week's Vacancies

- Black County Housing Group - Board member £5,000 pa
- Octavia Hill HA- Board member £4,500 pa
- **Grand Union HA** - Chair £15,000 pa
- Tyne HA - Expenses only
- Midland Heart HA - Board member £9,500 pa
- Croydon Churches HA - Chair £5,125 pa
- Advance Housing and Support - Chair £10,000 pa
- Vale of Aylesbury HA - Board member £5,816 pa
- Salvation Army HA - Board member £6,000 pa
- Islington and Shoreditch HA - Expenses only

**80% of
positions
are paid**

Debate - Sceptic

“Remuneration is fast becoming the norm for all but the smallest housing associations. But is this right?”

...social objectives, financial objectives, location and many others (factors) need to be taken in to consideration before a decision is made about whether to pay.

However, whatever the decision, it needs to be consistent across the board, with clear transparency about how much is paid, what is expected of the board and what benchmarks were used.”

Source: Jenny Brown, head of social housing at Grant Thornton

Debate - Advocate

“Our interviewees reported positive experience in attracting high-quality business skills to their Boards. The majority of those organisations interviewed do remunerate their Non Executives. There were however some who did not remunerate and felt that there was no need to introduce payment.

A lack of Board remuneration does not impede **Grand Union’s** ability to attract good candidates...Where decisions not to remunerate are in place, associations should revisit the arguments from time to time to ensure they are still relative to the business and its needs.”

Source: Savills ‘Challenging Governance’ March 2015

Debate - Advocate

“Given the more demanding climate, the responsibilities and the call on time, is the sector realistic in its expectations of Non-Executives?

Encouragingly, interviewees report that they are able to continue to source good candidates - in fact some organisations have seen a sharp rise in the quality of Board Member applicants.

As noted above, while remuneration is not a barrier to recruitment, it is seen as being helpful in raising expectations of engagement and performance, as reflected in a deed of service agreement.”

Source: Savills 'Challenging Governance' March 2015

Transparency?

Grant Thornton UK LLP found that 82 per cent of the top 60 housing associations pay their board members. **Sixty per cent** specifically disclosed the amount paid to the chair, **down from 70 per cent** last year, and the average chair salary was £17,984.

Source: Jenny Brown, head of social housing at Grant Thornton

Considerations

- Legislation and regulation - e.g. payments and benefits
- The legal duties of RSL Board members - constitution
- A reasoned business case and clear justification
- A robust risk assessment (e.g. tax issues and avoiding employee status) and process (e.g. agreement for services and handling disputes)
- Integrating payment with existing governance framework
- Levels of payment - independent advice and benchmarking

- # Potential advantages of payment 1
- Greater engagement
 - Ability to attract more and better quality applicants with relevant skills, knowledge and experience, providing more diversity and choice
 - Acknowledgment of the increased time and commitment and the need for a more 'professional' approach to governance
 - Smaller boards, but better equipped to deal with the challenges of de-regulation, diversification, complexity and a more 'commercial' approach
 - Reflects the inputs required / workload of a modern board member, including non-board activities such as learning and development and appraisal
 - Formal contract for services clarifies role and makes it easier to communicate it to stakeholders

Source: Central Consultancy and Training, 'Non-executive Remuneration in RSLs in Wales' Dec 2017

- # Potential advantages of payment 2
- Raises standards of attendance and input and creates a culture of obligation strengthening the psychological 'contract'
 - Reinforces the requirement for consistently good performance, provides support for the chair in managing poor performance, aligning payment with a more robust and formal appraisal process; easing the process of removing under-performing board members if necessary
 - Reinforces the accountability of the board
 - Increases board attendance, participation and performance
 - Better quality challenge of the executive team
 - Competition for board members – strengthens our 'offer', recruitment incentive

Source: Central Consultancy and Training, 'Non-executive Remuneration in RSLs in Wales' Dec 2017

Potential concerns about payment 1

Potential concerns – factors mitigating against payment:

- Associations which are too small to justify
- Not in harmony with the charitable values and ethos of the organisation
- Inappropriate in the context of wider strategic aims and objectives
- No difficulty recruiting and retaining appropriately skilled, knowledgeable and experienced board members
- Concerns regarding the impact on those in receipt of benefits
- Concerns about equity, fairness, cost and value for money

Source: Central Consultancy and Training, 'Non-executive Remuneration in RSLs in Wales' Dec 2017

Potential concerns about payment 2

- Resources better spent developing and supporting existing members
- Tenants may not support payment.
- Tenants may question motivation of board members • Perception of non-executive members of acting in self-interest
- Belief there is a risk of attracting board members interested in payment rather than those committed to delivering strategic objectives for the benefit of customers
- Belief that payment won't increase attendance
- Belief that payment won't increase engagement
- Cost vs benefit – what alternative uses are there for this money?

Source: Central Consultancy and Training, 'Non-executive Remuneration in RSLs in Wales' Dec 2017

Compliance

What SHR regulatory standards need to be met?

Expectations

Are particular obligations placed on paid Board members that are not be placed on unpaid Board members?

Openness

Are tenants consulted by the organisation about whether it is appropriate to pay Board members?
How is payment of Board members perceived by tenants of the organisation?

Transparency

How are paid Board members selected?

Diversity

Are paid positions open to all?

Are there special considerations in paying Board members who are tenants?

Are there special considerations for paying Board members who are in receipt of benefits?

Independence

Are paid Board members
always able to be
independent?

Might payment encourage
undue reliance on the pay?

Value for Money

Are Board member payments affordable? Are they a priority?

Does having paid Board members improve performance?

How does payment of Board members impact on the organisation's management costs?

Looking Ahead

- Increase in paid Board membership in England - setting the pace for Scotland?
- There is no right or wrong answer as each RSL has to consider how best to govern its organisation well. However, while there is a lot of talk about paying Board members, there is little by the way of analysis on how effective this is in reality. What is clear ... the process is complex.

Devil's in the Detail

- Fundamental need for detailed assessment of whether payment is appropriate e.g. analysis of benefits and costs, risks (legal, regulatory, financial and reputational), clear policy and necessary processes to introduce and administer. Significant justification is required before deciding to pay.
- It is equally important to monitor the effectiveness of paying Board members to identify whether this improves performance and compliance and ultimately, whether it benefits tenants.