

## APPENDIX 1

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++++	Report to: <b>BOARD</b> <b>3<sup>rd</sup> DECEMBER 2018</b>	Item No:
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<b>Report Title:</b>	<b>KNH GOVERNANCE ARRANGEMENTS</b>		
	<b>Name</b>	<b>Title</b>	<b>Phone No</b>
<b>Author:</b>	Paul Webley	Chair	

**CONFIDENTIAL**

**DECISION**

### Executive Summary

The aftermath of the Grenfell tragedy and resignation of ALMO's Chief Executive and Chair resulted in the Council as the parent company conducting a review to consider what arrangements are appropriate for the future of KNH.

The landscape post Grenfell and the detail within the recent Social Housing Green paper means that it is imperative that KNH's governance processes are fit for the new operating environment and provide the Council with assurance.

The relationship with the Council as the parent company and KNH as its wholly owned subsidiary needs to be realigned so that there is closer connectivity and greater transparency.

### Recommendations

- The Board approves the changes to KNH governance processes and Memorandum and Articles of Association as set out in appendix 1 and recommends these to the Council Member for adoption.
- The Board set the XX January 2019 as the date for the Extraordinary General Meeting (EGM) to formally enact the changes.
- Board Members agreed to sign the resignation letter attached as appendix 2 to be enacted at the date of the EGM.
- Board approve the new role of Chief Operating Officer and that the Council and new Board will jointly appoint.

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### 1. Report

#### Background

- 1.1 The subsequent findings of the Hackitt Review and the implications arising from the Social Housing Green Paper require greater clarity around decision making, governance and accountability arrangements due to the heightened risk profile presented by the changing landscape. The Council needs assurance that governance arrangements within KNH meet regulatory requirements, provide value for money and tenants are safe and their voice is heard.
- 1.2 Back in May 2017 Altair conducted a review of governance arrangements in KNH and made a number of recommendations. As the Board we adopted some of those recommendations immediately (including the adoption of the National Housing Federation Code of Governance) and chose to phase in others over a period of time. However in light of the above it is now pressing that we reflect back on the Altair recommendations and the content within the NHF Code and look to have in place governance arrangements that strengthen the relationship with the Council and provide the required assurance as outlined above.

#### Altair Recommendations and NHF Code of Governance

- 1.3 In summary Altair recommended or observed that:
- The current KNH Board is too large (and recommends reduction from 15 to 12, 10 or 9) to comply with NHF Code
  - Larger committee structure than its peers, duplication in terms of activity, costs of servicing and the frequency of meetings is high
  - Membership of the Board should be for a maximum of 9 years (but reconsidered individually after 3 years)
  - The skill base of the Board is not strong enough- or there is insufficient evidence of its strength- particularly in areas of housing, property management and finance
  - Appointment should be made on the basis of skills required by the Board, related to all members; the Council, independent and tenant representatives, with Board members chosen by assessment
  - Regular appraisal of all Board Members and a Board renewal plan in place
  - Executive Board Members should be considered (but cannot be a majority or hold the Chair or be members of certain sub committees)
  - Tenants could be better represented by a separate sub-committee, Tenants Panel/Scrutiny Panel or a form of digital media engagement.
- 1.4 The NHF Code of Governance also outlines:
- The Board of a parent organisation in a group structure must ultimately have the responsibility and the clear powers to direct and if necessary intervene in the governance of its subsidiaries
  - That direct nominees ought to align with the skill requirements
  - ~~In terms of Committees, although it is good practice for large independent organisations to have a distinct risk and audit Committee, these are less common in subsidiaries of group~~

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~~organisations, where services such as audit are governed controlled and procured through the main or Group Board.~~

~~In terms of Committees, although it is good practice for large independent organisations to have a distinct risk and audit Committee, these are less common in subsidiaries of group organisations, where services such as audit are governed controlled and procured through the main or Group Board.~~

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### **Proposed New Governance Arrangements**

1.5 It is proposed to recommend to the Council the following revisions to KNH's governance arrangements going forward:

- Reduce the size of the Board to 9 Non-Executive Directors
- Have in place a quorum of 3
- 3 Board Members will be Tenant Board Members
- 6 Board Members will be Council nominees [ It is likely that this will ] comprising no less than five party nominees and no more than one officer nominee]
- The Council as the parent company will have the power to remove from office any such Board Member
- The appointments will be based on skills needed for the Board
- Board Members would serve a 3 year term, (but it is recognised that the electoral process, or other aspects of democracy may on occasions lead to the need for directorships to be amended) if Board Members are consecutively re-elected this will not exceed a maximum of 9 years
- The Risk and Audit Committee will cease as the role would be handled by the Council's Corporate Governance & Audit Committee, although the risk and company accounts approval will fall to the main board.
- The remaining Committees will cease with the exception of the Property Committee which post Hackitt is currently required but this will be reviewed on annual basis.
- Ensure that the M&A's reflect that the Board of a parent organisation in a group structure must ultimately have the responsibility and the clear powers to direct and if necessary intervene in the governance of its subsidiaries.

1.6 In order to make way for this to happen I am proposing that the existing Board and Committee Members resign from office with the exception of the two Tenant Board Members.

### **Memorandum and Articles of Association Revisions**

1.7 The revisions to the Memorandum and Articles of Association (M&A's) to reflect the above changes are presented at Appendix 1.

### **Appointment of Chief Operating Officer**

1.8 It is proposed a new role of Chief Operating Officer is created which will replace the role of Chief Executive Officer and will be appointed by the Council in consultation with the Board and will support the KNH Board and report to the Strategic Director for Economy and Infrastructure in the Council.

### **EGM**

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1.9 The current M&As require that at least 21 days' notice is given to hold and Extraordinary General Meeting of the Association. The recommended date for the meeting has been agreed by the Council. The agenda for the meeting shall be:

- The adoption of the Memorandum and Articles of Association
- Appointment of Board Members

### 2. Link to Risk Register

2.1 Items within this report directly link to items in the Strategic Risk Register which includes Relationship with the Council, Effective Governance, Compliance, Kirklees Council Review of KNH and Failure to manage and Preserve Reputation.

### 3. Other Implications / Considerations

Value for Money	X	Corporate Strategy		Financial / Business Plan		Health and Wellbeing	
Diversity and Inclusion		Legal and Governance	X	Kirklees Council Outcomes		Tenant Consultation	

#### 3.1 Value for Money

Reducing the volume of Committees will reduce the servicing costs and provide a governance structure that is value for money.

#### 3.2 Legal and Governance

Advice on the governance arrangements have been provided by Martin Dearnley, Head of Risk at Kirklees Council.

Trowers LLP have reviewed the proposed Memorandum and Articles of Association (M&A's).

### 4. Appendices

- 4.1 Appendix 1 Memorandum and Articles of Association.
- 4.2 Appendix 2 Formal letter of resignation

### 5. Next Steps for the Board

- 5.1 For the Board to recommend to the Council the proposals detailed within the report and the revised M&A's.
- 5.2 For the Board to formally resign from office (with the exception of the two Tenant Board Members).
- 5.3 An Extraordinary General Meeting (EGM) be called to formally enact the changes.