



# Leadership 2025's Response:

NHF Code of Governance Consultation

March 2020

**NATIONAL  
HOUSING  
FEDERATION**

## NHF Code of Governance Consultation

Leadership 2025 was launched in 2017 by a steering group led by BME London Landlords and supported by a number of major London housing associations. The Business school accredited programme aims to equip executive and CEO ready senior BME leaders to achieve sector leadership roles, and in doing so to help to address the under representation of diversity of leadership across the sector.

Leadership 2025 is an initiative with a long-term ambition of supporting the creation of a housing sector that is diverse at all levels, with better representation of individuals who are from BME backgrounds at leadership levels. Leadership 2025 wants to get a sector wide mindset change that understands and accepts increasing diversity makes business sense and makes leadership teams more reflective of the tenants and communities they serve

The current National Housing Federation (NHF) Code of Governance was published in 2015, setting a framework for good housing association governance. The NHF are now looking to review the existing code, and build on its strengths, to ensure that the new Code of Governance is the gold standard for housing association governance.

Leadership 2025 sets out its response in this report and calls on the National Housing Federation to show leadership on Diversity and Inclusion in its response to the first stage consultation on a new Code of Governance.

It should also show leadership in its own board and staff at all levels, and its recruitment practices should reflect good practice in this area.

### 1. Which code of governance is your organisation signed up to?

Not applicable.

### 2. What needs to be addressed in order to make sure the Code of Governance is fit for purpose?

Currently, it is not fit for purpose.

Diversity and Inclusion is not currently adequately referenced in the existing Code.

The existing code states: "Shareholders should be appointed in a transparent and open manner. The policy for admission to membership should be freely available, and organisations should consider issues of equality, diversity and accountability when drawing up and implementing such policies"

Other codes, such as the UK Sport Code, the Charity Code and the UK Corporate Governance Code are more explicit on diversity and inclusion (D&I) and have made significant progress on D&I expectations.

### 3. How could we improve the guidance which accompanies the Code of Governance?

The NHF should make a strong case for why increasing diversity within an organisation makes good business sense. The NHF should also provide examples on how organisations can increase diversity.

Leadership 2025 has published two research reports in 2017 and 2019, looking at BME representation at Board and Executive Team level.

As part of the first research in 2017, a number of sector leaders were interviewed and best practice from both within the housing sector and in other sectors was researched. The report then recommended an ambitious yet practical five-point action plan for organisations to implement.

In the 2019 updated research, it was found that those who have embraced either the principle or the spirit of the five-point plan have been able to report demonstrable progress. Examples include, Optivo, Gateway, One Housing Group and Home Housing Group.

The GEM programme in the North and Black on Board are also good examples within the sector.

### 4. How do you think best practice in governance should be reflected in the new code?

There could be inclusion of case studies/ signposting to highlight good practice/ approaches of organisations, both within the sector and beyond. It does not need to be prescriptive.

## 5. Are you aware of any practical measures which housing association boards can take in order to ensure the board, and the organisation's senior team, reflect the diversity of the tenants, residents and communities they serve?

Leadership 2025 is an initiative with a long-term ambition of supporting the creation of a housing sector that is diverse at all levels, with better representation of individuals who are from Black and Minority Ethnic (BME) backgrounds at leadership levels. Although it focusses on BME leaders, the principles apply to all aspects of diversity, including gender, background, and experience.

The research report in 2017 found that the reasons to achieve ethnic diversity across leadership teams are compelling. From research undertaken by academics, business leaders in other sectors and other countries, and business advisers such as McKinsey and PwC, number of clear benefits were identified, that can be gained by housing associations having more diverse leadership teams and Boards. These include:

### **Diversity of thought makes for better decisions**

When the leaders of organisations hire in their own image, boards and leadership teams can fall foul of 'group think'. In a housing association, this could result in the quality and effectiveness of services being undermined or falling short of their intended objectives due to the narrowed thinking created by group think. Ensuring boards and executives have sufficient diversity is therefore a vital way to encourage more constructive and challenging debate.

### **Dynamism and innovation**

Organisations in the social housing sector are increasingly under pressure to meet new challenges while continuing to deliver their core objectives. These challenges require flexible, dynamic and innovative teams who can produce fresh solutions and manage new risks to deliver their strategic goals.

### **Driving performance**

There is a wealth of evidence which suggests that a more diverse workforce contributes to wider business success. For housing providers, more ethnically diverse boards and executive teams can help yield greater returns that can be invested in delivering better quality services and more affordable homes.

### **Building confidence with tenants and communities**

Several reports have underlined the importance of ensuring that leadership teams are diverse, so they can better understand how their decisions affect the different communities they serve. The need for greater diversity was highlighted by the Grenfell tragedy and calls by residents who wanted those leading the enquiry to be more ethnically diverse. They felt this would enable greater confidence of the community.

Leadership teams that reflect the diversity of their staff and community will help ensure that housing associations do not become too insular or out of touch with their increasingly diverse staff and customer base.

A survey run by Inside Housing, in 2017 and the research report conducted by Altair showed that there were only 3 BME chief executives (out of 64 associations to respond) and 4.5% BME representation at the executive level. The survey found 6.8% BME representation at board members level, with 18 boards having no BME representation at all. The report recommended an ambitious, yet practical five-point action plan for organisations to sign up to implement change. The five-point plan is:

- Report annually on key diversity statistics
- Set aspirational targets of BME representation at Board level
- Interview more diverse pools of candidates
- Develop the leadership pipeline
- Lead by example, with CEO, Board and HR Directors all taking ownership of the diversity agenda within their organisation

It also recommended that the NHF should pro-actively consider how collection of data and formal reporting requirements could strengthen the sector's commitment to diversity and inclusion.

The NHF should champion the recommendations in this [report](#), seeking visible opportunities to demonstrate sector leadership on this topic. We also recommend the NHF reference the importance of diverse senior leadership in its publications, research, conferences and seminars.

When the research was updated in 2019 it was found that organisations that had adopted either the principle or the spirit of the Five Point Plan have been able to report demonstrable progress. This report can be found [here](#). Overall, with some notable exceptions, the sector's progress, over the past couple years at achieving the objectives of the Five Point Plan paints a mixed picture, with a significant part of the sector's performance still uninspiring. This is particularly the case for those with over 10,000 homes.

The conclusion in that report was that housing associations cannot be the sole owners of this agenda. Especially if there is to be sector wide cultural change. There are a number of sector-wide bodies, such as the NHF, CIH and the Regulator of Social Housing, whose support and encouragement can add significant weight to the delivery of the recommendations and aspirations in the research report. To go further, the NHF could do more to support the implementation of the Five Point Plan across the sector or provide advisory materials on how to achieve BME leadership diversity for instance.

## **6. What are the main issues that need to be addressed in a revised code in order to make it work well for group structures?**

N/A

## **7. What are the main issues that need to be addressed in a revised code in order to make it work well for joint ventures?**

N/A

## **8. Do you think there is an understanding of what governance is, and the purpose of good governance for**

**housing associations, amongst tenants, residents and other interested parties?**

No

**9. How should the Code of Governance address the issue of overall accountability?**

Building confidence with the communities in which businesses work is particularly important to the housing sector currently, where the tragic Grenfell Tower fire and the response thereafter has posed questions about the sector's connection, accountability and understanding of the communities it serves. By ensuring that leadership teams and Boards are more representative of their tenants and having a diverse workforce that has a voice at Board level, will help demonstrate there is a commitment to diversity within the board room.

It is also part of defining the culture of an organisation and is a visible expression of the culture.

The business case for more diverse leadership is accountability to residents and communities and rebuilding trust. The sector potentially faces a trust deficit, as demonstrated through the post Grenfell challenge.

**10. To which people and bodies should governing boards be accountable?**

Housing associations need to be accountable to their key stakeholders, which includes their tenants, their funders, the Regulator.

**11. Are you aware of any good practice in governance that particularly focuses on accountability to residents?**

N/A

**12. Organisations that sign up to the code are expected to report against it annually. To whom and in what way should this information be reported?**

Organisations should be asked to publish performance on diversity in their financial statements and annual reports, covering all aspects, including gender, race and disability and put them on their website. NHF could also look to act as repository for this information.

There are already similar expectations in other codes, and gender pay reporting, for example, is already mandatory.

**13. Should the Code of Governance require organisations to demonstrate how they have complied with it?**

Yes, organisations should explain their compliance with, or application of the code in their financial statements/ annual reports.

**14. The 'comply or explain' approach has been widely adopted in UK corporate governance, and is the approach adopted by the current Code of Governance. It is an approach which recognises that there may be sound reasons for non-compliance with the Code of Governance. It obliges organisations to be transparent about their rationale in coming to that view. An alternative to following a provision may be justified, for example, if it is still judged to achieve good governance. Do you think that the current 'comply or explain' approach used by the Code of Governance should continue to be used? What approach do you believe should be used instead?**

Leadership 2025 does not believe that the current 'comply and explain' model should continue to be used.

The Corporate code 2017 has moved to a presumption of comply. The Charity Code uses the term apply, rather than comply, noting that it is not a legal requirement, but there is an expectation that Charities adopt the recommendations.

The same approach should apply to the Code, particularly on diversity. There should be little excuse for not adopting good practice in addressing diversity and inclusion issues. NHF should encourage the sector to take diversity at leadership levels more seriously.

**15. How do you think information on an organisation's governance can be made as accessible and understandable as possible to any people who wish to access such information?**

This should be either on the organisation's website or the NHF website.

## Principles of good housing association governance

In setting out the principles below, we have drawn from those in the 2015 Code of Governance and sought to strengthen and enhance them.

**Clarity of purpose:** The board is clear in its role and purpose in setting strategic direction and defining the culture of the organisation.

**Ethics:** The board operates to high ethical standards, explicit values and appropriate codes of governance and conduct.

**Accountability:** There is full accountability to, and involvement of, residents and other stakeholders. Particularly – and where appropriate – in making decisions that affect residents' homes and communities.

**Residents first:** The board acts in a way that empowers residents and facilitates a strong relationship between the organisation and its tenants, residents and service users.

**Transparency:** There is an active and open approach to communicating governance decisions and activities. Full and frequent disclosure of governance matters and other significant information is standard practice.

**Ambition:** Opportunities are actively identified and reviewed considering the need for sustained organisational success.

**Equality, diversity and inclusion:** There is a fairness of equality and opportunity and an active demonstration of diversity in all aspects of the organisation's governance – people, roles and approaches.

**Review:** There are formal processes for the periodic review of the board's own performance and decision-making, which actively encourage scrutiny by residents and service users.

**Clarity:** There is clarity of roles and responsibilities and an appropriate division of responsibilities between the organisation's board members and staff.

**Control:** There is an effective approach to audit, risk management, internal control and financial oversight.

**Structures:** There are effectively resourced staff and committee structures to support the organisation's ambition.

### **16. Do you think the principles laid out in the Code are the right ones? Do they adequately reflect the changing environment, the challenges facing the sector, and current best practice?**

We feel that the diversity and inclusion section in the code should be strengthened, as discussed above.

**17. Are these principles described in a way that is useful and clear? Please suggest ways in which they could be improved**

No

**18. Are there any additional principles that should be included?**

No

**19. Following the tragic fire at Grenfell Tower in 2017, greater profile has been given to issues of health and safety within the sector. How should the Code of Governance reflect this?**

The code should highlight the importance of Health and Safety, and provide guidance for Boards to ensure they have the necessary skills to address these challenges

**20. What potential conflicts of interest should the Code of Governance anticipate, and help boards to resolve?**

N/A

**21. How should the code address housing association board and senior executive remuneration?**

N/A

**22. Should the code give guidance on ensuring that the needs of different stakeholder groups are met? How important do you think it is that the needs of each of the following groups of stakeholders are addressed specifically - as opposed to just being considered as general stakeholders?**

Yes, the code should give guidance on ensuring the needs of the stakeholders are met.  
Residents – Very important

Workforce – Very important  
Investors – somewhat important  
Funders – somewhat important  
Shareholders – somewhat important

**23. Should the code set a limit on the number of external board positions a board member can hold?**

N/A

**24. Should the code set a requirement for the chief executive and/or other individuals to be a board member?**

N/A

**25. Should the code set a requirement to appoint a Senior Independent Director (SID) to the board?**

N/A

**26. What non-financial outcomes should the code require reporting on?**

The code should incorporate Diversity of Board, Executive and staff member reporting.

**27. How should the code address environmental and sustainability issues?**

N/A

**28. Are there any technical aspects in relation to the code that you believe need addressing or updating?**

N/A

**29. Are there any reports or other resources that you feel may be useful to the development of the new code? These do not have to be written reports, books or articles but could also be other resources such as social media accounts, blog posts or YouTube channels.**

UK Corporate code (FRC), UK Sport Code and the Charity Governance Code should be used.

**30. Do you have any other comments, suggestions or observations on the Code of Governance?**

N/A

**Contact Details**

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