

Briefing note: Board member payment

1. Background

- 1.1. Newport City Homes Board Members have held the role in a voluntary capacity since transfer in 2009. Since 2017, Welsh housing associations have been able to pay Board Members for their services and as a result of that decision, the Board has considered the merits and risks of such an approach during the last eighteen months.
- 1.2. These considerations took into account whether other, organisations in England and Wales pay, both within and outside of the sector and potential risks in recruiting quality Board Members of the future.
- 1.3. A number of housing associations in Wales have introduced payment of Board Members, or are considering payment and this has resulted in the market for housing association Board Members becoming increasingly competitive.
- 1.4. Throughout its considerations on the payment of Board Members, the Board has received independent third party advice from Central Consultancy, who were also co-authors of the guidance issued to housing associations and endorsed by Welsh Government on the payment of Board Members.
- 1.5. At its meeting in September 2019, the Board approved Board payment 'in principle', and delegated to its Remuneration Committee to consult with residents, staff and stakeholders before making its final determination in November on how Newport City Homes can retain and attract the best talent and to future proof the Board.
- 1.6. Therefore, we are seeking views on the principle of paying Board Members to inform the Board's final decision.

2. Why are the changes being proposed?

- 2.1. The Board noted the case to introduce payment based on:

- Newport City Home's recent refinancing has removed a number of constraints around its business plan and it now has significant opportunities presented through these freedoms and the low costs of the finances it has secured
- Newport City Homes is to refine its service offer to residents and stakeholders, which will entail significant strategic decisions, with associated risks, to be undertaken
- Newport City Homes has the capacity to become one of the largest developers in Wales, developing over 250 homes a year
- At the same time, Newport City Homes needs to address the challenges arising from the pressure to get more from public funding, and that local partners face significant budget constraints
- Whilst Board Members have always held responsibility for legal risks and issues associated with running the association, these risks have increased significantly in recent years.

As a result of the above:

- Demands on the Board Chair and Board Members' time have increased to a point that it is questionable how much more can be asked of voluntary Members

- Newport City Homes needs to attract diverse people to the Board when, demand for Board Members is growing
 - There is recognition that the duties and legal obligations of Board Members are considerably enhanced because of increased risks faced by the association and the housing sector eg Health & Safety matters.
- 2.2. The Board also recognised there are some disadvantages to payment in that it may change the culture of the association and could be thought of as a move away from its original voluntary ethos, and as a result, may act as a deterrent to individuals who would not wish to receive payment.
- 2.3. In summary, the opportunities and risks faced by Newport City Homes have grown dramatically, and the Board needs future members that can support its growth aspirations, but who also recognise and can manage the significant risks the association faces now and in the future. On balance, the Board considers the benefits of payment outweigh the disadvantages, and is seeking views of residents, staff and stakeholders to inform its final decision.

3. What the proposed changes mean

- 3.1. No changes to our rules are required, as the new rules adopted in 2017 allowed the payment of Board Members. The association will continue to operate in the same way with between five and 12 Board Members making up a Board recruited on a skills based approach.
- 3.2. If agreed in November, Board Members would receive payment of between £4,000 and £5,000 per year, with the Chair, Vice Chair and committee Chairs receiving a slightly higher amount to reflect the additional contribution required of their roles. No other benefits, other than minimal expenses would be paid, and as Board Members would not be classed as employees/staff, they would not be entitled to employment related benefits eg pensions.
- 3.3. Total costs of payment to Board Members are estimated to be £75,000 per year and any future increase in payment would be set with the advice of an independent advisor, in accordance with best practice and sanctioned by our regulator.
- 3.4. These payments are considered to be affordable in the context of our total turnover of approximately £50m per year and are in line with the pay levels of associations of a similar size and complexity who currently pay their Board Members.
- 3.5. Board Member role profiles would be reviewed to formalise the increased expectation of the role and to ensure Members can be held to account.

4. Who else are we consulting

- 4.1. We are also consulting with the local authority, our staff, involved residents, and our lenders.

5. Next steps

- 5.1. You are invited to share your views on this by contacting Joanna Fairley, Head of Governance and Compliance at Newport City Homes. You can call Joanna on 01633 227644 or email her at joanna.fairley@newportcityhomes.com.
- 5.2. All views will be collated and shared with the Remuneration Committee and the Board before a final decision is made in November.