

Title: Governance Review	Meeting: Board	
Report authorised by: Gavin Cansfield, Chief Executive Barry Simons, Chair	Date of the meeting: 19 February 2013	Item No. 9
Report author: Stephen Mutton, Head of Communications & Governance	Classification: Open	Report type: Decision
Business Priorities: Ensuring the Board and its sub-committees are operating as effectively as possible will aid the delivery of all business priorities.		
Impact for Customer: This report addresses work to enhance services for customers by ensuring the Board and its sub-committees are demonstrating good governance.		
Diversity Impact: The report addresses work which impacts all sections of the community.		
Cost and Income Implications: There are no cost implications to the report.		
Risk Management: 3. Making a Difference Ensuring that achievements recognised internally or externally make a difference to residents. 5. Organisational Coherence Ensuring that approved strategies, policies and procedures are adhered to in practice i.e. making sure that what we say should happen, is happening.		
Summary: The report sets out proposals regarding changes to the structure and terms of reference of the Board's sub-committees.		
Recommendations: That the Board agree: <ul style="list-style-type: none"> - that Performance Management Committee (PMC) and Organisational Development Committee (ODC) are formally abolished; - changes to the Finance & Audit Committee (FAC) and Remuneration Committee (RC) terms of reference; - membership of Finance and Audit Committee and Remuneration Committee; - to ask Finance and Audit committee to conduct a review of its Terms of Reference and report back to the Board later in the year. That the Board note: <ul style="list-style-type: none"> - the proposed change to the Board quorum. 		

1. Introduction

The Tower Hamlets Homes Board has historically operated with four sub-committees:

- Finance and Audit Committee (FAC);
- Organisational Development Committee (ODC);
- Performance Management Committee (PMC);
- Remuneration Committee (RC).

The report sets out proposals, outlined below, regarding the committee structure the Board is asked to adopt and updates required to the committee terms of reference:

- Formally abolishing the Performance Management Committee and Organisational Development Committee;
- Agreeing the membership of Finance & Audit Committee and Remuneration Committee;
- Updating the Finance & Audit Committee and Remuneration Committee terms of reference.

It also draws the Board's attention to a proposed change to the quorum for Board meeting.

2. Performance Management Committee and Organisational Development Committee

These committees played a valuable role when Tower Hamlets Homes was first established, and in the preparation for the Audit Commission inspection. They last met in December 2011 and March 2011 respectively, with their functions adopted by the full Board, as performance reporting in particular is an area that the Board have expressed a wish to 'own'. It is proposed, therefore, that these committees now be formally abolished.

3. Finance & Audit Committee

It is considered good governance practice for a Board to retain a sub-committee to focus on finance, risk and assurance issues, to ensure that these issues receive an appropriate level of detailed non-executive scrutiny.

Terms of Reference

The following changes are proposed to the FAC terms of reference, attached in Appendix 1, to accommodate the reduced size and changed composition of the Board:

- that the number of members be reduced from five to three;
- that the three members consist of one Board member from each constituent group (Councillor Board Members, Resident Board Members and Independent Board Members);

- that the Chair of the Board be an ex-officio member of the Finance and Audit Committee;
- that the quorum be reduced from three to two;
- that the frequency of meetings be reduced from monthly to quarterly, with additional meetings to be convened at the discretion of the Chair of FAC, should circumstances warrant it.

The Finance and Audit Committee Terms of Reference have not been reviewed since the committee was formed in 2008. It is proposed that the Board requests that FAC review their Terms of Reference as part of their workplan, and report back to the Board later in the year.

Membership of the Committee

The Board is asked to agree the membership of the committee.

4. Remuneration Committee

Similarly, it is considered good governance practice for a sub-committee to take responsibility for making recommendations on appropriate levels of remuneration for the most senior executive officers. The Remuneration Committee last met in July 2011.

Terms of Reference

Unlike other committees, the Remuneration Committee currently has decision-making powers, i.e. it makes decisions itself rather than making recommendations to the Board. It is proposed that the Remuneration Committee be brought in line with the Board's other committees, and make recommendations to the Board (which the Board would discuss in closed session) rather than have decision-making powers itself.

Therefore it is proposed to change the Remuneration Committee Terms of Reference as follows:

1.1: remove 'delegated'

2.2: change "It is empowered by the Board of THH to make appropriate decisions and recommendations within the approved Terms of Reference." to "It is empowered to make appropriate recommendations to the Board of THH within the approved Terms of Reference."

3.1: Change "The membership of the committee will be decided by the Board's Annual General Meeting." To "The membership of the committee will consist of the Chair of the Board (who will act as Chair of the Remuneration Committee), the Vice-Chair of the Board and the Chair of the Finance and Audit Committee."

5.1: Change "The meeting will be quorate when 3 members of the Committee are present one of whom must be the Chair of the Remuneration Committee or nominated representative." To "The meeting will be quorate when 2 members of the Committee are present one of whom must be the Chair of the Remuneration Committee or nominated representative."

Membership of the Committee

It is proposed that the committee membership comprise the Chair of the Board (who will act as Chair of the Remuneration Committee), Vice-Chair of the Board and the Chair of Finance and Audit Committee. Accordingly, it is proposed that the quorum be reduced from three to two.

5. Board Quorum

The Board will wish to note that the Executive of the Council has indicated that it is minded to make a change to the Tower Hamlets Homes Articles of Association (27.1) to amend the quorum for Board meetings.

Article 27 (1) currently reads: "Subject to any regulations established from time to time by the Organisation in general meeting in compliance with section 10(1) of the Order the Board may regulate their proceedings as they think fit and the quorum for the transaction of business shall be three comprising no fewer than one Tenant Board Member and two Council Board Members."

The revised article will read: "Subject to any regulations established from time to time by the Organisation in general meeting in compliance with section 10(1) of the Order the Board may regulate their proceedings as they think fit and the quorum for the transaction of business shall be three comprising no fewer than one Tenant Board Member or Independent Board Member and two Council Board Members."

	potential variances to the Board.
3	To consider THH audited annual accounts and balance sheet and to make recommendations to the Board
4	To ensure that there is an effective and consistent framework of financial regulations and procedures, and that they are regularly and comprehensively reviewed and to make recommendations to the Board
5	To consider contract and financial matters which arise between meetings of the Board and make recommendations to the Board.
6	To approve the list of authorised signatories and bank mandates for THH.
7	To submit to the Board for approval a proposed scheme of financial delegation of the Chief Executive and officers.
8	To monitor tendering processes and report to the Board
9	To make recommendations to the Board on the award of contracts.
10	To consider the appointment of the external auditor and the audit fee and make recommendations to the Board.
11	To review the external auditor final report and advise the Board of any necessary response and/or action to be taken.
12	To consider the appointment of the internal Auditor and make recommendations to the Board.
13	To review the internal audit programme on an annual basis ensuring that the function is properly resourced, and to ensure coordination between internal and external auditors and make recommendations to the Board.
14	To receive all final reports from the internal auditor regarding the internal audit programme and the findings of internal investigations and make recommendations to the Board.
15	To report annually to the Board on the audit programme and any issues arising from it.
16	To ensure compliance with the Management Agreement regarding the reporting of fraud and to monitor the entries in the THH Homes register of attempted and detected fraud and report to the Board.
17	To monitor the implementation and operation of THH hospitality and expenses policy in accordance with the relevant clauses in the management agreement and report to the Board.
18	To monitor the implementation and operation of Tower Hamlets Homes Whistle Blowing policy and report to the Board.
19	To develop and review the Risk Management Strategy and regularly review and amend the risk register and report to the Board

**TOWER HAMLETS HOMES
Remuneration Committee
Current Terms of Reference**

1 Constitution

- 1.1 The Remuneration Committee is a delegated Committee of the Board of Tower Hamlets Homes [THH].
- 1.2 The Terms of Reference of the Remuneration Committee are determined by the Board of THH and may be amended by it from time to time in line with regulation and best practice.

2 Terms of Reference

- 2.1 The Remuneration Committee's primary aim is to oversee the remuneration arrangements for the Chief Executive and Directors of THH.
- 2.2 It is empowered by the Board of THH to make appropriate decisions and recommendations within the approved Terms of Reference.
- 2.3 The committee's remit includes:
- 2.4 Receiving proposals and making recommendations on all aspects of salary for the Strategic Management Team of THH.
- 2.5 The provision of other benefits including pensions, leave, etc.
- 2.6 Ensuring that Strategic Management Team members are fairly rewarded for their contribution, having proper regard for value for money principles, national agreements as they may apply and relativities within THH.
- 2.7 Proper calculation and scrutiny of any termination payments taking account of such guidance as may be available and appropriate.
- 2.8 Oversee and advise on the appropriate contractual arrangements for the Strategic Management Team members.

3. Membership

- 3.1 The membership of the committee will be decided by the Board's Annual General Meeting.

4. Attendance

- 4.1 The Chief Executive may attend as advisor to the Committee for the purpose of approval of Directors' remuneration arrangements. Where the Committee are considering the appropriate arrangements for the Chief Executive then the Director of Finance and Customer

Services, and in his absence the Head of Human Resources & Organisational Development, will substitute for the Chief Executive.

- 4.2 Other Directors and/or the Head of Human Resources and Organisational Development may be invited to attend the meetings for the purpose of providing advice and/or clarification to the Committee as requested.

5. Quorum

- 5.1 The meeting will be quorate when 3 members of the committee are present one of whom must be the Chair of the Remuneration Committee or nominated representative.

6. Frequency

- 6.1 The committee will meet on an annual basis to review the Strategic Management Team remuneration arrangements and other such related matters as delegated by the Board.
- 6.2 Additional meetings may be arranged when required to support the effective delivery of THH governance and services.

7. Review

- 7.1 The committee will review its Terms of Reference and the outcomes of its deliberations on an annual basis and report as a confidential item to the Management Board.