

Title: Governance Action Plan	Meeting: Board	
Report authorised by: Ann Lucas Chair	Date of the meeting: 29 th Feb 2016	Item No. 8
Report author: Les Warren Director of Finance & Company Secretary	Classification: Open	Report type: Decision
Business Priorities : The Governance Action Plan (GAP) relates to the Business Plan priority Building One Great Organisation.		
Impact for Customer: In the medium-to-long term, delivery of the GAP will improve customer service by ensuring proper oversight of the strategic direction of Tower Hamlets Homes and delivery of the terms of the managing agreement.		
Diversity Impact: The GAP ensures that Board membership will continue to represent three different constituencies. For customers, more robust governance will in the long term allow services for BME and vulnerable residents to be introduced more effectively.		
Cost and Income Implications: The GAP will be delivered collaboratively between the Board and Tower Hamlets Homes officers within existing budgets and resources.		
Risk Management: Measures to improve risk management and oversight by the Board are incorporated into the GAP.		
Summary: Following the December 2015 Board meeting which considered an externally conducted review of THH Governance, a meeting of the Remuneration (& Governance) Committee was held on 18 February 2016. That meeting reviewed the Governance Action Plan recommendations, a revised terms of reference for the Remuneration (& Governance) Committee and a draft code of governance. A workplan to progress the implementation of the governance was also approved. The revised terms of reference need now to be approved by the Board following their recommendation by the Committee.		

Recommendations:

That the Board:

- (i) approves the appointment of Claire Tuffin as Vice-Chair of the Board and Andrew Bond as Chair of the Finance & Audit Committee;
- (ii) approves the nomination of Cllr John Pierce as a member of the Remuneration & Governance Committee;
- (iii) approves the revised Terms of Reference of the Remuneration & Governance Committee [Appendix 1];
- (iv) approves the GAP [Appendix 3];
- (v) notes the GAP Forward Plan [Appendix 4];
- (vi) approves the draft Board Code of Governance. [Appendix 5]
- (vii) notes that the salary level of the new Director of Business Transformation post will be in line with the existing remuneration policy

1 Introduction

- 1.1 Tower Hamlets Homes engaged Campbell Tickell to conduct a governance review as part of THH's commitment to enhance and strengthen the organisation's governance arrangements. This review was presented to the Board in December 2015.
- 1.2 The December 2015 Board meeting agreed to produce and enact a Governance Action Plan (GAP) based on the recommendations of the Campbell Tickell review. It was also agreed that THH should adopt a single code of governance rather than selecting components from a variety of codes. Furthermore, a strong preference was expressed for the recommended code of the National Housing Federation (NHF).
- 1.3 It is proposed that delivery of the Governance Action Plan and future governance oversight should be incorporated into the Terms of Reference of the newly formed Remuneration and Governance Committee.

2 Remuneration and Governance Committee

- 2.1 Terms of Reference
Draft Terms of Reference for the Remuneration and Governance Committee are attached [Appendix 1]. The current Terms of Reference for the Remuneration committee were approved by the Board in February 2013 and are attached for reference [Appendix 2].
- 2.2 The draft Terms of Reference incorporate the duties and responsibilities of the former Remuneration Committee and are expanded to include governance oversight and review. These expanded duties and responsibilities are based on the recommendations of the Campbell Tickell review.
- 2.3 The proposed membership of the committee has been expanded to ensure that all constituencies of the Board are represented.

2.4 Way of Working

Under ordinary circumstances, the Remuneration and Governance Committee will be required to meet annually. During the delivery of the GAP, however, the committee may be required to meet more frequently so as to approve actions and alterations to existing documents.

- 2.5 It is proposed that decisions arising from the GAP will be brought to the Board as and when they are ready for review. Committee meetings will be appended to existing Board meetings where necessary so as to guarantee quorum without undue schedule inflation.

3 Governance Action Plan (GAP)

- 3.1 A draft GAP consisting of 28 recommendations from the Campbell Tickell review is attached [Appendix 3]. Below, the 28 recommendations have been divided according to the degree of future action required.

- 3.2 A draft Forward Plan [Appendix 4] is also attached. This document provides an indicative timeline of how recommendations that require future action will be delivered and tracked.

3.3 Agreements of principle

Recommendations 1, 2, 27, and 28 are matters of principle relating to the priorities of the Board and THH. When the Board adopts these recommendations, this will represent a commitment to the principles they contain. Delivery of these principles will in part be achieved by delivery of the GAP, but will require continued commitment in future.

3.4 Agreements to be completed in this meeting

Recommendations 3, 9, 10, and 11 relate to the content of the Terms of Reference of the Committee and the adoption of a new Board Code of Governance. Each of these documents is presented with this paper in a form that conforms with these recommendations. Should the Board agree these documents in this meeting, these recommendations will be complete.

3.5 Agreements requiring further action

If adopted, the remaining 20 recommendations in the GAP will require further action. A proposed timeline for these actions is provided in the GAP Forward Plan.

4 Code of Governance

- 4.1 A draft Board Code of Governance is attached [Appendix 5]. The Code is based on the recommended code of the NHF (2015 revision), appropriately edited to meet the circumstances of Tower Hamlets Homes. Proposed deviations from the original NHF code are listed below with associated rationale.

- 4.2 The Remuneration & Governance Committee considered in detail the amendments proposed to the Code relating to Executives on the Board. At present and under the company's articles, Executives cannot be Board Members. However, it is common practice on housing association boards to for Executives to be Board members. The logic often put forward for this is that the responsibility and liability of being a Board member does not fall exclusively on Non-Executives.
- 4.3 However, it was noted that it is not common practice for Executives to be members of ALMO Boards. Furthermore, the risk profile of THH's business, at the moment, may not warrant such a change, which would in any event require a change in the company's articles. Any change to the company's articles needs to be approved by the Executive Mayor.
- 4.4 Therefore, for the time being, Committee members felt that the current exclusion of Executives as Board members should remain but that the issue would be revisited as part of any discussions with the Council regarding the management agreement.
- 4.5 Provisions Requiring Attention
Particular attention should be given to provisions B3, D2, E5, and G4. These provisions affect the composition, tenure, and responsibilities of the Board and its sub-committees.

Appendix 1: Remuneration and Governance Committee Draft Terms of Reference

The Remuneration & Governance Committee is a Committee of the Board of Tower Hamlets Homes [THH].

The Terms of Reference of the Remuneration & Governance 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.

Membership

The membership of the committee will consist of the Chair of the Board (who will act as Chair of the Remuneration & Governance Committee), the Vice-Chair of the Board and the Chair of the Finance and Audit Committee, plus one other Board member.

All three constituencies of the THH Board – residents, independents and councillors – must be represented on the committee. If necessary, additional members of the Board may be added to the committee to meet this requirement.

Attendance

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 will substitute for the Chief Executive.

Other Directors may be invited to attend the meetings for the purpose of providing advice and/or clarification to the Committee as requested.

Quorum

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

Frequency

The committee will meet on an annual basis to review the Executive Management Team remuneration arrangements, Board governance compliance and other such related matters as delegated by the Board.

Additional meetings may be arranged when required to support the effective delivery of THH governance.

Primary Function

The Remuneration & Governance Committee's primary aim is to oversee the remuneration arrangements for the Chief Executive and Directors of THH and to ensure that the Board is compliant with its Code of Governance.

The committee may oversee recruitment activity for the post of the Chief Executive and other recruitment processes such as Board member recruitment.

It is empowered to make appropriate recommendations to the Board of THH within the approved Terms of Reference.

Appendix 1: Remuneration and Governance Committee Draft Terms of Reference

Servicing

Meetings will be serviced by the Governance Team, agenda and reports will be despatched to all members of the committee 5 working days before a meeting.

All Board members will receive email copies of agenda and reports for information by email. Late reports will only be taken at the discretion of the chair.

Board Members who are not a member of the committee may attend and participate at the discretion of the chair.

Terms of Reference

	Remuneration
1	Receiving proposals and making recommendations on all aspects of salary for the Executive Management Team of THH, including:
2	The provision of other benefits including pensions, leave and related matters;
3	Ensuring that Executive 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;
4	Oversight of the appraisal of the Chief Executive and making a recommendation to the Board on the Chief Executive's remuneration.
5	Scrutiny of any termination payments, taking account of such guidance as may be available and appropriate;
6	To oversee the appropriate contractual arrangements for the Executive Management Team.
	Governance
7	Receiving proposals and making recommendations on all aspects of Board governance, including:
8	The recruitment process for Board members, including the Board member role description;
9	The joining and induction arrangements for new Board members;
10	The arrangements for regular Board and Board member appraisal;
11	The process for the re-appointment of Board members at the conclusion of their specified term of office;
12	Review of governance policies and practices, including compliance with the Code of Governance for Board members;
13	Consideration of any need for rule changes or amendments to standing orders or delegations.
14	To oversee the handling of any disciplinary matters in relation to the Board member code of conduct.

Review

The Remuneration & Governance Committee will, at least annually, review:

- The structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes.
- The learning and development needs of the Board, and the effectiveness of learning and development events and actions, and make recommendations to the Board on priority training needs and means of delivery.
- The committee Terms of Reference and the outcomes of its deliberations and report as a confidential item to the Board.

Appendix 2: Remuneration Committee Feb. 2013 Terms of Reference

The Remuneration Committee is a Committee of the Board of Tower Hamlets Homes [THH].

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.

Terms of Reference

1	The Remuneration Committee's primary aim is to oversee the remuneration arrangements for the Chief Executive and Directors of THH
2	It is empowered to make appropriate recommendations to the Board of THH within the approved Terms of Reference
3	The committee's remit includes:
4	Receiving proposals and making recommendations on all aspects of salary for the Strategic Management Team of THH
5	The provision of other benefits including pensions, leave, etc
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
7	Proper calculation and scrutiny of any termination payments taking account of such guidance as may be available and appropriate
8	Oversee and advise on the appropriate contractual arrangements for the Strategic Management Team members

Membership

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.

Attendance

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.

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.

Quorum

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.

Appendix 2: Remuneration Committee Feb. 2013 Terms of Reference

Frequency

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.

Additional meetings may be arranged when required to support the effective delivery of THH governance and services.

Review

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.

Appendix 3: Board Governance Action Plan

Overall

1. The Board should concentrate on securing the organisation's future by demonstrating to the Council that it can provide an excellent service to its residents and has the capacity to be a proactive partner in delivering the Council's corporate objectives.
2. The most immediate strategic priority is therefore to demonstrate that Governance is "fit for purpose" as the organisation enters into the discussions and review that are likely to take place well in advance of the end date of the current Management Agreement.

Implementation approach

3. Oversight of the delivery of the Governance Action Plan (GAP) is given to the newly formed Remuneration and Governance Committee. The committee will be responsible for all governance oversight, in addition to the functions of the prior Remuneration Committee. Full details of the responsibilities of the Remuneration and Governance Committee can be found in its Terms of Reference.

Committees

4. The terms of references of Committees are reviewed to ensure relevance and consistency.
5. Consideration might be given to a less deterministic approach to Committee membership and their Chairing and to a larger quorum given the increased size of the Board.
6. Explicit reference should be made in the Terms of Reference of the Finance and Audit Committee that the Chair of the Board cannot chair that Committee.
7. Each Committee should, as part of their regular Agenda, consider what matters they wish to draw to the attention of the Board.
8. Each Committee should produce an annual report to the Board setting out a summary of the key matters that they have considered in the course of the previous 12 months.
9. Included in the scope of the Remuneration and Governance Committee is the development of more effective mechanisms for involving residents in the governance of THH.

Code of Conduct and related matters

10. The current code of conduct should be reviewed for relevance and good practice and consideration given as to whether THH might adopt some or all of the National Housing Federation's Code of Governance.
11. Irrespective of whichever code is adopted an annual report should be prepared for the Board setting out compliance with its terms.

Appendix 3: Board Governance Action Plan

12. The Board should receive an annual report setting out the attendance of members at Board and Committees and the length of each member's tenure on the Board.
13. Clear guidance should be drafted on how breaches of the Code by members should be addressed.
14. The current Governance Resource pack contains a number of other governance matters which have not been the subject of recommendations in this review. It is recommended that the Resource Pack is reviewed as a whole by June 2016 to include for example the role profile and person specifications of the Chair and Board members and whatever other changes to policies and practices which will have taken place by that date.

Appraisal, Learning and Development

15. Consideration is given to implementing an immediate programme of Board member learning and development based upon the template set out in the Campbell Tickell governance review, brought to the Board on 15 December 2015. That programme is reviewed and adapted upon the completion of the next round of Board appraisals.
16. Appraisals, both for the whole Board and individual members, are conducted by June 2016.

Tenure, Recruitment and Succession

17. The Board should consider introducing formal three year terms of office, ideally for all members. A maximum of three terms of three years should be considered with reappointment after each term subject to formal appraisal. Further consideration ought to be given to the principle that appointment for the third term of three years would only be under exceptional circumstances and the continuing need for the skills and experience brought by the member concerned.
18. To inform the appraisal process a skills audit of members should be carried out and used to inform a "preferred skills and competency matrix". Gaps identified against the matrix should aid discussions with the Council on the skills the Board is seeking to attract and form the basis of future recruitment exercises and a succession plan.
19. With specific reference to Council nominees it would be useful for the Board to have some degree of stability over the next two years during the review of the Management Agreement. The Council could be approached to see if the current nominees, subject to appraisal and performance, might be also be given a three-year tenure.

Board Papers and Agendas

20. An action log should be introduced which tracks previous Board decisions that have yet to be implemented.
21. Board papers should be sequentially numbered to assist referencing.
22. Consideration should be given to the use of a proprietary software package to provide Board and committee papers to members.

Appendix 3: Board Governance Action Plan

23. A more detailed Board agenda calendar should be developed to include the work of Committees. It should set out recurring items of business as well as "one off matters" that require consideration by the Board. Strategic matters should be differentiated from operational business.

Risk

24. More regular reporting on matters of risk, both as regards the framework and risk registers, should be developed for consideration by both the Board and the Finance and Audit Committee.

25. Current business plans should be stress tested and mitigating strategies discussed and agreed with the Board.

26. Training in risk assessment, management and mitigation should be provided to Board members.

Business Planning

27. The trajectory the Board is able to set for the organisation now and its ability to oversee its successful realisation over the next 12 months will be important for the long term. It will determine both the value stakeholders ultimately ascribe to the organisation and any potential future role in delivering core housing management and other broader services. The Board must agree a process and timetable for THH to ensure that its priorities shape the 2016/17 Business Plan and that the Board can also engage in the financial and performance target setting process led by the Client.

28. Although there are more than two years remaining on the current management agreement the actual timeframe for demonstrable improvements is much shorter. The Board needs as a matter of priority to steer THH to the quality, care and value goals it is setting for the organisation.

Appendix 4: Governance Action Plan Indicative Forward Plan

Date	Activities	Status
Feb. 2016	Review the draft Governance Action Plan and agree actions to be adopted.	Decision
	Review and agree the GAP Forward Plan.	Decision
	Review and agree the proposed Terms of Reference for the Remuneration and Governance Committee (GAP 3, 9)	Decision
	Review and agree the draft Board Code of Governance (GAP 10-11)	Decision
April 2016	Committee Terms of Reference reviewed and re-drafted for approval by the Board (GAP 4-8, 12)	Task, Decision
	Board action log, detailed agenda, and numbered papers launched (GAP 20-21, 23)	Task
	Learning and development appraisal timetable set and documents [e.g. self-assessment form] agreed (GAP 15-16, 18)	Task, Decision
	2016/17 THH Business Plan signed off (GAP 25)	Decision
June 2016	Governance Resource Pack reviewed and re-drafted for approval by the Board (GAP 13-14, 17)	Task, Decision
	Skills audit and learning and development appraisals complete	Task
	Risk register and reporting framework reviewed and redrafted for approval by the Board (GAP 24)	Task, Decision
	Risk assessment, management, and mitigation training schedule written and agreed (GAP 26)	Task, Decision

Appendix 4:
Governance Action Plan
Indicative Forward Plan

Date	Activities	Status
Aug. 2016	Council approached to see if Councillor Board Members might be given a three-year tenure (GAP 19)	Task
	Cyclical Board learning and development training schedule written and agreed.	Task, Decision
Oct. 2016	Risk assessment, management, and mitigation training complete.	Task
	Consideration of use of proprietary software for Board papers.	Decision

Appendix 5: Board Code of Governance

Contents:

A	Compliance with this code	2
B	Constitution and composition of the Board.....	3
C	Essential functions of the Board and Chair	4
D	Board skills, renewal and review	5
E	Conduct of Board and committee business.....	6
F	Audit and risk	7
G	The Chief Executive	8
H	Conduct, probity and openness	9

Appendix 5: Board Code of Governance

A Compliance with this code

Tower Hamlets Homes must publish an annual statement of compliance with this code and make a reasoned statement about any areas of noncompliance.

Provisions

A1 Where a statement of non-compliance is needed, it must:

- (1) Be published with the annual statement of compliance;
- (2) Be specific to the particular circumstances of the organisation;
- (3) Explain why and how the principles of good governance are being upheld; and
- (4) Set out in summary any plans for the achievement of compliance with the code.

Appendix 5: Board Code of Governance

B Constitution and composition of the Board

The Board must be effective in the strategic leadership and control of Tower Hamlets Homes and act wholly in its best interest. Board members must ensure that the interests of the organisation are placed before any personal interests.

Provisions

- B1** The core purpose of the Board is to determine the vision and strategy, direct, control, and scrutinise the affairs of Tower Hamlets Homes. Operational management of the organisation must be delegated to staff, and the Board must hold them to account.
- B2** All members of the Board, executive and non-executive, share the same legal status and have equal responsibility. Each must act only in the interests of the organisation and not on behalf of or representing any constituency or interest group. Board members must ensure that the interests of the organisation are placed before any personal interests, whether commercial or otherwise.
- B3** The Board should have at least five members and no more than twelve, including any co-optees and any executive members.
- B4** The Board must appoint a company secretary (or a person with that function) with clear accountability to the Board, to advise it on compliance with the organisation's constitution, this code, and other statutory or regulatory requirements particularly as relating to their position as Board members.

Appendix 5: Board Code of Governance

C Essential functions of the Board and Chair

The Board's duties and responsibilities must be formally recorded and made available for all existing and potential Board members. The Board must be headed by a skilled Chair who is aware of his or her duties as leader of the Board.

Provisions

C1 The essential functions of the Board must be formally recorded. In addition to matters set out in law and in the organisation's constitution these will include as a minimum:

- (1) Setting and ensuring compliance with the values, vision, mission and strategic objectives of the Tower Hamlets Homes, ensuring its long-term success;
- (2) Setting a positive culture, with strong customer focus;
- (3) Ensuring that the organisation operates effectively, efficiently and economically;
- (4) Providing oversight, direction and constructive challenge to the organisation's chief executive and executives;
- (5) The appointment and, if necessary, the dismissal of the Chief Executive;
- (6) Satisfying itself as to the integrity of financial information, approving each year's budget, business plan and annual accounts prior to publication;
- (7) Establishing, overseeing and reviewing a framework of delegation and systems of internal control; and
- (8) Establishing and overseeing a risk management framework in order to safeguard the assets and reputation of the organisation.

C2 The Board must formally record a schedule of those essential functions and other significant matters which are specifically reserved for the Board's decision and which cannot be delegated.

C3 The Chair is responsible for leadership of the Board, and ensuring its effectiveness. The particular duties and responsibilities of the Chair must be formally recorded.

Appendix 5: Board Code of Governance

D Board skills, renewal and review

Recruitment to Board vacancies must be open and transparent and based on the Board's considered view of the skills and attributes required to discharge its functions. The Board must select or appoint new members objectively on merit and must undertake regular appraisals of its members and of the Board as a whole.

Provisions

- D1** The Board must have a strategy for its own renewal which is based on an agreed statement of the skills, qualifications and attributes required, and balances the need for experienced members with that for new thinking and independent challenge. This statement should be reviewed regularly, and whenever the organisation is about to undertake new activities or become exposed to new risks.
- D2** Maximum tenure must be agreed for all Board members which must in total be nine years or fewer, composed of two or more consecutive terms of office. This maximum tenure must apply to all Board member service with Tower Hamlets Homes.
- D3** Where a member comes to the end of an individual term of office and is eligible for reappointment, this must be subject to consideration of the member's appraised performance and skills, and to the wider needs of the Board at that time.
- D4** A member who has left the Board after serving the maximum tenure must not be reappointed for at least one full term of office.
- D5** In considering its composition and renewal the Board must have regard to the need for a Board which includes people from diverse backgrounds and with diverse attributes, to help ensure healthy debate and challenge, and a range of perspectives.
- D6** Tower Hamlets Homes must support London Borough of Tower Hamlets, its sole shareholder, so they can play an informed role in the appointment of Board members.
- D7** So they can discharge their duties all new Board members must receive a properly resourced induction, and ongoing learning and development during their tenure.
- D8** A full and rigorous appraisal process for the individual members of the Board and its committees, including the Chairs, must be carried out at least every two years.

Appendix 5: Board Code of Governance

E Conduct of Board and committee business

The Board must act effectively, making clear decisions based on timely and accurate information. Committees may be established where the Board determines that they will provide expertise and enable it to deliver effective governance and manage risk.

Provisions

E1 The Board must have formally recorded terms of reference to ensure that its conduct is transparent, effective and in the interests of the organisation.

E2 Board and committee meetings should, wherever possible, be based on full agendas and clearly presented and accurate documents circulated to members well in advance of meetings. Decisions and the main reasons for them must be recorded in the meeting minutes.

E3 Urgent decisions between Board meetings must be taken in accordance with proper, formally recorded and predetermined arrangements.

E4 All Boards and committees must consider their effectiveness annually and how they conduct their business, including:

- (1) Their governing instruments, delegations, regulations, standing orders, structures, systems and other formal documentation;
- (2) The timing and frequency of meetings;
- (3) The format of their agendas, papers, minutes and communications;
- (4) Their collective performance as a decision-making body; and
- (5) Their compliance with this code and their legal duties.

There must be a formal review of these matters at least every three years, to ensure best practice, and that documentation is compliant with the latest legislation and regulations.

E5 The chair of the board must not chair the committee responsible for audit.

E7 Each committee must have formally recorded terms of reference approved by the Board, and must report regularly to the Board on its work and the exercise of any delegated authority it has been given.

Appendix 5: Board Code of Governance

F Audit and risk

The Board must establish a formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a sound system of internal controls, manages risk and maintains an appropriate relationship with its auditors.

Provisions

- F1** There must be effective internal controls and appropriate systems for business assurance, so that the Board can have confidence in the information it receives.
- F2** Tower Hamlets Homes' external auditors must be independent and effective.
- F3** The organisation must have a committee primarily responsible for audit, and arrangements for an effective internal audit function.
- F4** The committee responsible for audit must bring independent scrutiny and challenge to provide the Board with assurance, and exercise oversight of the internal and external audit functions.
- F5** The committee responsible for audit must meet regularly and its minutes must be available to all members of the Board. The reasons for the decisions taken must be recorded in the minutes and presented to the Board for noting or endorsement.
- F6** The committee must be able to meet with the external auditors without executives or other paid staff being present at least once a year.
- F7** The Chair of the committee responsible for audit must either be a member of the Board or have clear arrangements for reporting to the Board.
- F8** The Board must identify and regularly review the individual and combined material risks faced by the organisation and make plans and strategies to mitigate and manage them effectively.
- F9** The Board must retain overall responsibility for risk management, and determine the organisation's tolerance of risk. The Board may delegate the detailed scrutiny and evaluation of risk to the committee responsible for audit, or to another committee.

Appendix 5: Board Code of Governance

G The Chief Executive

There must be clear working arrangements between the Board and the chief executive and clear delegation of authority.

Provisions

- G1** The Chief Executive must be clear about the essential duties of the role and have clarity over his or her legal responsibilities, delegated authority and relationship with the Board.
- G2** Like all other employees, the Chief Executive must have a written and signed contract of employment; the Board must consider whether it should be reviewed at least every three years.
- G3** Periods of notice of more than six months and other provisions for material payments to be made or benefits granted in the event of the contract being terminated must be specifically approved by the Board with the reasons for the decision clearly minuted.
- G4** The Board must delegate to a committee responsibilities that include oversight of the appraisal of the Chief Executive and making a recommendation to the Board on the Chief Executive's remuneration.
- G5** The Chief Executive's remuneration must be disclosed in the annual financial statements.

Appendix 5: Board Code of Governance

H Conduct, probity and openness

Tower Hamlets Homes must maintain, and be seen to maintain, the highest ethical standards of probity and conduct. The Board must operate in an open and transparent manner, having dialogue with and accountability to tenants and other key stakeholders.

Provisions

- H1** Board membership entails a particular responsibility to avoid any suggestion of impropriety. Matters such as conflicts of interest, or acceptance of gifts or hospitality, are particularly sensitive. Boards must adopt and comply with a code of conduct such as the Federation's *Code of Conduct 2012*.
- H2** Boards must consider any potential conflicts of interest and adopt appropriate policies and procedures for their declaration and management. All conflicts must be dealt with in a way which upholds the organisation's reputation, and reflects The Companies Act 2006, concerning how conflicts (of interest, loyalty or duty) are to be declared and managed.
- H3** Where conflicts of personal interest arise these must be recorded and, if material, the individual concerned must be excluded from the discussion or decision by a resolution of the non-conflicted members present.
- H4** In the case of a fundamental or ongoing material conflict the Board must consider and determine whether the person concerned should cease to be a Board member.
- H5** Where there are persons who are members of more than one Board in a group, there must be formal arrangements to ensure that if there are any actual or potential conflicts of interest, these are identified and managed.
- H6** The Board must publish an annual report of the organisation's activities and performance.
- H7** The organisation must have in place a strategy for regularly communicating information about its work to its shareholders and stakeholders, and ascertaining their views. In doing so, it must have regard to the communication needs of the diverse groups and communities it serves.
- H8** The organisation must respond in a considered and transparent way to requests for information about its work and activities.