

Saxton Bampfylde

# PAVING THE WAY

The purposeful board approach  
for the housing sector











# PAVING THE WAY

The purposeful board approach  
for the housing sector

## CONTENTS

Foreword	06
Overview	08
Chapter 1: Strength in the Foundations	12
Chapter 2: All on Board	20
Chapter 3: Truly Engaging	28
Chapter 4: Eye To The Horizon	36
Conclusions	40



**HANNAH SCARISBRICK**

Partner, Head of Housing Practice

✉ [hannah.scarisbrick@saxbam.com](mailto:hannah.scarisbrick@saxbam.com)



**PAMELA LEONCE**

Partner, Consultant, Housing Practice

✉ [pamela.leonce@saxbam.com](mailto:pamela.leonce@saxbam.com)

# FOREWORD

**S**axton Bampfylde has worked with housing providers in the UK for many years, supporting and identifying senior leaders in executive and non-executive positions to help drive the sector forward.

**We recognise that in an ever more complex political, economic and social climate, we can expect a stronger emphasis on governance, and rightly so. With the capacity and ambition of many housing associations growing and their role in communities expanding, the challenges and opportunities in front of housing association boards are increasingly complex, substantial and high profile.**

The housing crisis and the acknowledged need for more and more affordable homes to be built in every part of the country is having a significant impact on the sector. For many, this presents a fresh mandate for Housing Associations to take greater responsibility for delivering new homes effectively and responsibly.

The tragedy at Grenfell Tower amplified underlying concerns about governance, resident engagement and health and safety which are still felt keenly across the sector. It highlighted that while change is absolutely needed, understanding what that change should be is more difficult. On resident engagement, the fact that Grenfell was managed by a Tenant Management Organisation (TMO) confirmed that setting up structures which appear to allow for and encourage resident involvement is not good enough on its own. The tragedy called attention to the challenges landlords in every part of the sector face and the greater need for transparency, improved customer engagement and commitment to Health and Safety.

With the publication of the Social Housing Green Paper<sup>1</sup> in August 2018, the level of importance placed on the sector increased

considerably from a political and social perspective and funding appears, in some areas, to be more available. How this translates into reality is still being played out, however. What is clear is that the board function has never been more fundamental, not only to refine and maintain strategic focus but also to guarantee that accountability and delivery are at each organisation's core.

With an enormously important role to play in the national and local economies in which they operate, it is essential that governance within Housing Associations is delivered well, showcases the positive impact that Housing Associations can achieve, and demonstrates purposeful intent for the future.

Through this report, we aim to examine the role of the board in the social housing sector including the part it plays in delivering for current and future residents, and preserving and challenging the purpose of each organisation, as well as the sector more broadly. We want to explore the challenges boards and their members face and the way in which they are evolving to deliver social value through a range of strategic, commercial, operational and cultural imperatives.

With this piece we present an insight into the board's ability to evolve and respond to increased risk and complexity. We discuss the skills required to be successful in these roles, which are changing in reaction to these challenges, and the impact this will have for boards in the future.

We have thoroughly enjoyed our research in this area and would like to express our sincere thanks to our contributors for sharing their insights so openly and honestly. We hope that you will find this piece thought-provoking and a stimulus for conversation. Any feedback on the themes and insights explored would be warmly welcomed.

1. [www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing](https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing)

*“Housing Associations are in an incredibly privileged position. We are not particularly subject to competition or being underwritten by government. We have freedom to be entrepreneurial and make big decisions.”*

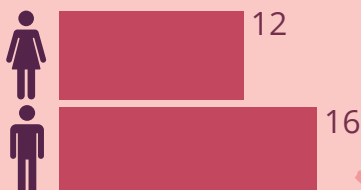
*“There is a very special place for Housing Associations in our pluralist society and that is down to our social mission.”*



# OVERVIEW

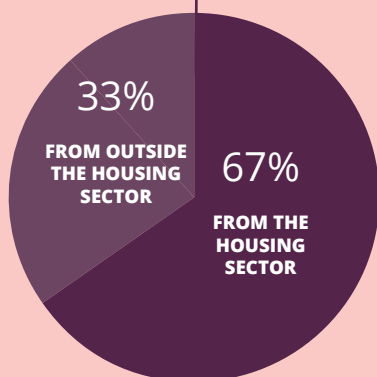
## WHO WE SPOKE TO

### GENDER SPLIT

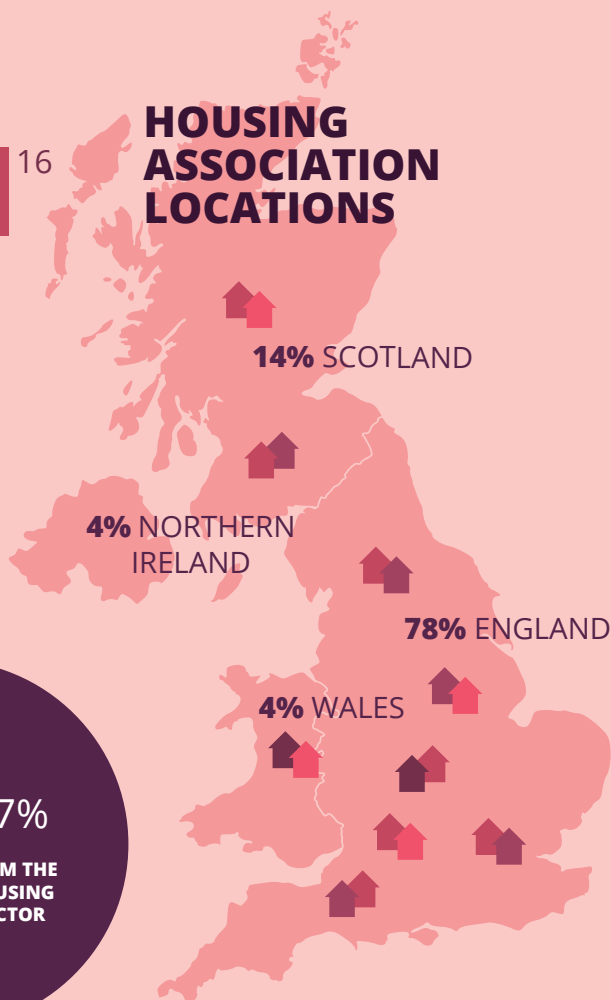


**AVERAGE  
TENURE:  
2 YEARS**

### BACKGROUND OF THE CHAIRS WE SPOKE TO



### HOUSING ASSOCIATION LOCATIONS





CHAPTER 1

# **STRENGTH IN THE FOUNDATIONS**

*“At this moment in time we are centre stage as delivery agents. This brings with it a greater level of risk and greater level of expectation.”*

## BUILDING FOR A NATION

Housing Associations exist in every part of the UK, a core part of the fabric in many communities, building and managing homes and supporting those who live in them. They are drivers of economic growth, as well as being social, cultural and even political cultivators. Their role has been significant for decades, but there is now more focus on their function and delivery than ever before. This comes with the opportunity to make more impact and build a better public understanding of their function; but that in itself also brings greater responsibility and risk.

It is currently estimated that in England over 300,000 new homes are required to be built each year<sup>2</sup>. In Scotland, this figure is about 23,000<sup>3</sup>, Wales needs 8,300<sup>4</sup> and in Northern Ireland it is 7,000 per annum<sup>5</sup>. There is no hiding from this need and Housing Associations are under more pressure than ever to try and meet demand.

From a political perspective, both nationally and locally, many conceded that there has been a shift in the way Housing Associations are viewed. Indeed, often they are recognised in ever-more proactive terms as enablers of development. The market is, however, growing more complex, with the arrival of for-profit providers and a resurgence of local authorities coming back into or enhancing their presence in housing provision.

*“A sea change in thinking of Housing Associations as part of the solution rather than the problem.”*

*“There is a political priority around housing which there hasn’t been for so long.”*



2. [www.researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7671](http://www.researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7671)

3. [www.bbc.co.uk/news/uk-scotland-46976448](http://www.bbc.co.uk/news/uk-scotland-46976448)

4. [www.insidehousing.co.uk/news/news/wales-needs-8300-homes-a-year-says-government-60013](http://www.insidehousing.co.uk/news/news/wales-needs-8300-homes-a-year-says-government-60013)

5. [www.communities-ni.gov.uk/news/northern-ireland-housing-statistics-2017-18-released](http://www.communities-ni.gov.uk/news/northern-ireland-housing-statistics-2017-18-released)

*“Government is just throwing money at the housing problem. That is not going to work.”*

*“Housing Associations are in an incredibly privileged position. We are not particularly subject to competition or being underwritten by government. We have freedom to be entrepreneurial and make big decisions. It comes with a responsibility to do something special and not enough are.”*

With heightened recognition of the role Housing Associations have to play in delivering a solution to the UK's housing crisis there has come, in many regions, greater public funding. While this was on the whole welcomed, our interviewees were quick to highlight that money cannot provide the answer by itself.

Shaping the role Housing Associations play in the future of housing in the UK is well within these collective organisations' power. This doesn't come without challenges, however. There needs to be strategy: a clear idea of the mix of tenures required; consideration of where need is greatest; and thought given to the services each organisation can, and indeed cannot, deliver. The ultimate responsibility for maintaining the strategic direction of the industry and achieving optimum delivery lies with the Chairs to whom we spoke, their associated boards, and their relationships with their executive teams.

**Terminology** During our conversations there was some discussion around terminology and relationship with tenants, residents, service users and customers. This varied depending on organisation, tenure, service offering and reference point. We have therefore made the decision throughout the piece to use the term 'resident' to incorporate all references to those living in homes and accommodation provided by the organisations we interviewed.



## SCALING THE CHALLENGES

Change brings opportunity and the mood around this is, for the most part, buoyant. A step-change is absolutely needed for the housing sector, but it needs to be considered, tangible and, where possible, measurable. The UK faces many economic and political uncertainties as we carry out this piece of work, and the impact this has had on housing and many other sectors is unsettling. It cannot however be allowed to stifle the good work being done.

Governments, nationally and devolved, recognise the scale of the housing problem; something that is widely accepted and welcomed across the sector. However, the extent to which this recognition has translated into readily available and impactful financial support divided our interviewees. Having access to grants is crucial for many organisations to achieve the scale of building and management that is to be expected of them, particularly those operating in regions outside London and for smaller organisations outside the G15.

It isn't just a question of enough financial support: growing political instability also presents significant challenges. The housing question has been something of a hot potato thrown from one housing minister to the next in Westminster. It is a ministerial role that has seen a significant personnel change over the past decade, which has created a difficult policy environment.

Interestingly, it was widely acknowledged that the Scottish Government has typically been more intrinsically supportive of Housing Associations than its English counterpart, with a greater share of grants awarded to deliver a larger social housing sector than any other UK nation (making up almost a quarter of all homes)<sup>6</sup>. However, those we talked to in Scotland are certainly watchful, with the suggestion that there 'is fear that the grant regime in Scotland is going to change'. This would have a significant impact on the housing market and was a cause for some concern for those we talked to.

*"We need some change. There is no point tinkering about at the margins."*

*"Government is suggesting that they are providing game-changing figures - I simply don't agree with that."*

---

6. [www.housingevidence.ac.uk/wp-content/uploads/2018/11/R2018\\_SHPWG\\_Scotland.pdf](http://www.housingevidence.ac.uk/wp-content/uploads/2018/11/R2018_SHPWG_Scotland.pdf)

In Northern Ireland, the important role of Housing Associations was emphasised: planning processes are meeting targets for local applications, but for major applications are almost double the targeted timescale<sup>7</sup>. There is still a considerable amount of segregation in housing in Northern Ireland with 90 per cent of social housing split between loyalist and nationalist communities. The Northern Ireland Housing Executive, the body responsible for the common selection scheme and allocation of social housing, has adopted a Shared Future Housing Programme. This is part of delivering on the Executive Office's Strategy Together: Building a United Community (T:buc), to deliver a greatly increased mix of religions (up to 70 per cent) in shared accommodation<sup>8</sup>. However, without a working Northern Ireland Executive since its collapse in 2017, there is a restricted input to the overall function and importance of social housing at a devolved government level.

*“We have lived through many struggles and Housing Associations have made huge inroads in last 40 years in Northern Ireland, but it is still a difficult challenge.”*

*“If we don’t have cross-subsidy models, things won’t get built”*

In Wales, the City deals for Cardiff and Swansea will receive a £2.5bn injection to their economies over the next 10-15 years<sup>9</sup>. This is expected to impact positively on housing across Wales, but it was highlighted in our conversations that work is already well underway in these more populated urban areas. It is in Mid Wales particularly where much more needs to be done: the region faces a skills shortage and real economic challenges therefore there is a need for a positive regenerative approach.

Right across the UK, one of the central challenges comes from the availability of land, an issue that is even more prevalent in urban areas. Many Chairs we talked to suggested there is a requirement for more land to be released on public subsidy bases. This was discussed in tandem with thinking about how this land, quite often in more central, urban locations, can be best utilised for a mix of tenures to meet resident or customer need, rather than looking at what might generate the greatest level of commercial income. This presents a difficult balance when the cross-subsidy model is so imperative for many organisations.

Although the net-benefits of the cross-subsidy model were widely recognised, many of those we interviewed highlighted a need to consider seriously and collectively the risks associated with the model. Cross-subsidy is considered absolutely essential by some, particularly in London and larger metropolitan areas, but there was much discussion about its downsides and about how the approach to cross-subsidy might benefit from further refinement as the sector moves forward.

7. [www.infrastructure-ni.gov.uk/news/publication-northern-ireland-planning-statistics-201819-annual-statistical-bulletin](http://www.infrastructure-ni.gov.uk/news/publication-northern-ireland-planning-statistics-201819-annual-statistical-bulletin)

8. [www.executiveoffice-ni.gov.uk/sites/default/files/publications/execoffice/tbuc-%20update-report-201617-final.PDF](http://www.executiveoffice-ni.gov.uk/sites/default/files/publications/execoffice/tbuc-%20update-report-201617-final.PDF)

9. <http://www.assembly.wales/laid%20documents/cr-ld11264/cr-ld11264-e.pdf>

Our interviewees presented a broad consensus that there needs to be a way to encourage a greater range of mixed tenures, particularly more mid-market and social housing, and the cross-subsidy model for some is seen as polarising to this approach. The need to build houses for sale to subsidise the building of more truly affordable social housing does commercially make sense, but for some it sits at odds with the sector's core purpose. In a challenging economic climate, as housing sales drop and stock remains unsold, the potential for the model to inhibit Housing Associations from investing in building truly affordable homes and providing services is something *'that cannot be tolerated in the long term'*. Many conjectured that there needs to be much greater analysis of what is truly affordable, and what is not, as this is creating an artificial and inaccessible environment.

Something that many Housing Associations reference as a real barrier to the sector's progress is what was frequently referred to as an *'obsession'* held by British people since the 1980s: home ownership. When considered next to comparable European countries, where approximately half the population owns a property, the UK has ownership of close to two thirds<sup>10</sup>. It is certainly more embedded in our psyche that we have a right to own our homes.

The suggestion from many of the Chairs we talked to is that this attitude has had a significant detrimental effect on the housing sector. It has prevented social housing and other rented tenures from being built, they argue. For some fierce critics, policies such as the controversial Right to Buy scheme in England are an *'abomination'*, which are *'not stimulating supply but creating demand'* and should be abolished as soon as possible.

It is becoming evident that for growing numbers across the UK, home ownership simply is not feasible as supply cannot keep pace, cost of land and development increases, and wages aren't increasing in real terms to sustain what is considered affordable in certain regions. Greater scrutiny and realism are needed to identify affordability so the sector can move forward appropriately.

The renewed focus on housing is definitely welcome and much needed, but it must come with the recognition that the notion of affordability for much of the population is just that: a notion. A *'need for greater gradation of affordability in the market'* is required and must be supported to meet the needs of those looking for homes in the UK.

*"There is definitely in England more focus on commercial housing than affordable housing, which is also a risk to the economy, especially in London."*

*"Right to Buy was the most regressive piece of social policy in the past 100 years."*

*"The Government's idea of affordable and what really is affordable don't match up."*

10. [www.statista.com/statistics/246355/home-ownership-rate-in-eu-rome/](https://www.statista.com/statistics/246355/home-ownership-rate-in-eu-rome/)



## FROM THE ROOFTOPS

The profile and awareness of Housing Associations has increased considerably since the tragedy at Grenfell Tower. Since that day in June 2017, there has been mixed response from different areas of society but what must come from that situation is a positive movement forward. It is vital that this not only sees individual organisations move ahead, but more importantly a collaborative approach from the national housing community.

It is clear that in today's environment, Housing Associations need to raise their profile, looking across the areas where they operate and telling their stories more clearly. It is a sector born of a progressive movement, with a positive and values-based approach to addressing inequality and stigma. Above all else, the sector is there to support communities and individuals and build homes.

If they are to evolve, not just in delivery terms but at an operational and strategic level, Housing Associations need to tilt their perspective, starting to look outside their walls. At a board level, there is more opportunity to do this than almost any other part of the organisation. It requires a concerted effort to look from the rooftops, over the walls and into other sectors, but it feels like there is a palpable and growing desire to deliver this change.

*“The reason we aren’t sticking our heads above the parapet is that we still have a long way to go on customer service. A lot of people have grown up through the sector so don’t believe that it is anything to shout about.”*

*“The housing association sector really has a tendency to believe its own hype and we don’t talk outside the sector. Sometimes we really need to understand what is going on outside and need external understanding.”*

## CHAPTER 1 - INSIGHTS

- In recent years, Housing Associations have seen attitudes towards their role change, resulting in a need to deliver change and achieve progress on a number of fronts and at pace.
- Uncertainty in the political landscape presents further risk. Boards must be equipped with strong skills around communication and collaboration to build a coherent narrative. There is no room at all for complacency to ensure sector sustainability.
- Government funding packages cannot solve the UK’s housing crisis – there must be more strategic and collective thought given to how to deliver the homes we need, now and in the future, and boards have a significant role to play in driving this agenda forward.
- Ensuring the sector’s long-term sustainability must be a core focus for its senior leaders.
- Many Housing Associations have cross-subsidy models deeply embedded whereas others argue this model is less sustainable for those operating outside major urban hubs.
- Housing Associations need to look beyond their own space and consider what is happening in other sectors: the challenges being faced and where skills and experience can feed into their own boards.



## CHAPTER 2

# **ALL ON BOARD**

*“We really need to have an eye to where the whole thing is going to move more than we ever did before.”*

## THE PURPOSEFUL BOARD

As in many other sectors, the emphasis placed on governance in today's operating model for Housing Associations is felt keenly. Good governance must be at the core of each organisation and the pulse of the sector at large.

Grenfell does bring the subject of governance into sharp focus, and government and regulators across all the devolved powers have made this a cornerstone of policy moving forward. The responsibilities of Housing Associations to build and maintain safe and sustainable homes are utterly imperative, however balancing these against a viable commercial approach brings with it risks that must be monitored and measured through a clear governance model.

When asked to identify the fundamental challenges for boards - those where governance knowledge and experience is paramount - the vast majority highlighted the following key areas:

- **Building homes and maintaining stock**
- **Ensuring good customer service through new approaches, including digital**
- **Managing mergers and partnership working**
- **Developing financial resilience and managing risk**
- **Health and safety**

Strategy setting and oversight is a fundamental task for any board, but it can start to encompass many different areas, particularly when a mandate has been outlined by government or a need becomes more urgent and widely recognised. Some Housing Association boards are finding their resources feeling stretched and their strategies disjointed. It can be hard to prioritise (and even harder to stick to those priorities) when the pressure increases. This is something to which the Chairs we spoke to referred repeatedly.

*“The clearest motive driving change in governance is Grenfell.”*

*“Governance is so important and proportionately the vigilance of boards needs to be going up.”*

*“Is it just about housing or are we there to provide more services than ever before? I really believe that there has to be a limit.”*

*“[It is] quite hard to keep clarity on purpose in third sector/not for profit. Sometimes it seems easier to stretch the purpose, as there are so many things we can do for the good.”*

What some might see as ‘mission creep’, others consider as the necessary deployment of resources and expertise to meet a range of related needs in communities. Either way, the challenge of defining the role of Housing Associations is well recognised. Boards must consider what can be feasibly provided and how this stacks up commercially, operationally and ultimately purposefully.

The board’s priorities may arise out of challenges and opportunities emerging at national and local levels and the extent and way in which they connect to the core purpose may vary.

During our conversations there was some debate about the overall interpretation of purpose and how it can, and does, vary across the sector. The difference in view appears to stem from the extent to which purpose is given a breadth of focus and how it is regarded and continuously referred to at board level. For some the ‘purpose’ was a clearly defined principle driving the actions and approach of what an organisation was meant to be delivering to meet its strategic objectives. For others, the ‘purpose’ was more broadly interpreted as being at the core of the sector. It is the rationale behind delivering a social service for society.



## BACK TO THE ROOTS

With the sector diversifying and changing at pace, there is a need to reflect on the founding principles of the *'housing movement'*, maybe more so today than in previous decades.

The founding purpose of Housing Associations echoes strongly and Chairs, for the most part, were very clear in emphasising their role within the sector. This was echoed by a broad mix of Chairs including both those with decades of housing experience and those from outside the sector. The need to take stock and be clear on the path forward for Housing Associations was spoken with a shared voice.

Across the private and public sectors, there is a palpable shift taking place. No longer is pure profit or efficiency taking such a central role. The world is too alive, connected, and quite frankly disillusioned, for these goals to serve as the central purpose for most organisations. The Housing Association has the advantage of having had social purpose at the heart of its governance and operational model from the outset. However commercial viability remains imperative and the challenge still lies in giving enough credence to the social purpose in all aspects of the operating model and not letting it slip behind other priorities.

Where there was no doubt was in the importance of social purpose and how it translates into the core values, governance and strategic objectives of Housing Associations. As the sector evolves, it is apparent that boards may benefit from considering social purpose more frequently, consciously and as a key part of their overall narrative.

*“There is a very special place for Housing Associations in our pluralist society and that is down to our social mission.”*

*“We need to be clear on what our role is. We believe what we are doing is good for society, but we need to balance that with what we are actually meant to be doing.”*

*“Mainstream corporate governance is moving into the model followed by housing associations, rather than us going the other way. We have the purpose that many are looking for, but we just don't articulate it well enough.”*

## COMMERCIALLY MINDED, SOCALLY HEARTED

Housing Association boards across the sector accept that without a commercially successful business there can be no opportunity to meet social needs. From a governance perspective, it is the role of the Chair and the senior executive officer to emphasise to their board the imperative for continually reviewing and assessing the financial health of their organisation as well as ensuring full regulatory and legal compliance. It is only at this point that they can focus on the social purpose of the organisation and its possible outcomes.

Commercial acumen is more important than ever before: ultimately it enables the delivery of a successful organisation, more housing stock, better services, and surpluses that can sustain the cycle. It requires a level of knowledge and experience at board level coming not only from the housing and property or development markets, but investment and risk assessment knowledge too. One interviewee diagnosed that *'Housing Associations have to think and behave differently in order to deliver social purpose and generate the surpluses that they do'* with Government only providing 15-20 per cent of the costs required through grants.

It is a complex market – that was a resounding consensus shared by many Chairs – and the economics need to be considered carefully by the board alongside the executive, no matter the size of the organisation. It is a balancing act for all, but the sector for the most part still generates healthy and positive returns. This enables organisations to deliver on their purpose to serve and support communities, but it also creates the potential for more complex financing structures, which bring both opportunity and risk.

*“We need to shine a light on what we really mean by purpose. What is the purpose of our organisation?”*

*“We need to re-frame our thinking, rather than the business model. These aren’t businesses with a social purpose. Their purpose is social. We need to think about what is the purpose, rather than what is the social purpose.”*

With more investment opportunities coming from outside sources – for example institutional investors, pension funds or investment mechanisms like Real Estate Investment Trusts (REITs) – there are some very attractive commercial opportunities for Housing Associations. However, these do not come without health warnings and some of those we talked to put a considerable emphasis on the need for good governance in this area. One commentator suggested that in some cases *‘investors are being sold returns that are just not going to stack up’*. It is vital that boards can manage this, ensuring the right level of partnership and investment vehicles without being sucked into financial deals that are driven by profit.

There is a greater emphasis on partnership-working for Housing Associations through joint ventures and working with house-builders, for-profit registered providers, local authorities and other organisations. Broadly, there is an acceptance that this is a positive evolution for the sector: it gives opportunity to share risks and challenges while bringing a broader range of experience and budgets into the mix. However, it does also raise a legitimate question about the risk of different actors entering into the social housing market, particularly those who are not overseen by the regulator. It raised reservations about the ability to match the priorities and values within these partnerships to deliver what is needed for the customers and the organisations themselves in the longer term.

This balance requires the skills, experience and risk management ability to handle outside interest and investment. Boards need to be alive to these requirements, always reminding themselves what the core purpose of the organisation is and reviewing whether there is strong enough consideration of the risks to balance out the opportunities.

*“The board had great experience in the community but didn’t have the right finance skills. They went from asset rich to having loans to manage and didn’t have the skills to manage them.”*

*“It used to be private good, public bad. It is not that way now, but we can’t just shovel everyone into partnership.”*

*“A commitment to social purpose and values is so important when we are identifying or establishing partnerships.”*



## CHAPTER 2 - INSIGHTS

- Good governance must be placed at the heart of everything Housing Associations do; it is particularly crucial in the light of an increased focus on transparency and building trust across the sector.
- Housing Associations are advantaged by having social purpose built into their core; but they must still work hard to realise and demonstrate the value of that strong purpose.
- Collaborative working with partners in other sectors offers interesting opportunities for Housing Associations. Boards have a role to play in ensuring that different and potentially competing agendas, especially between for-profit and not-for-profit organisations are well-managed and that the benefits of cross-sector partnerships outweigh the potential risks.
- Above all else, Housing Associations need to ensure they take time to reflect on and define their core purpose and remain true to it when faced with complex decisions. Boards need to give due consideration to what range of needs they can meet effectively and over the long term.
- Boards must take responsibility for ensuring the financial viability and compliance of their organisations, and for some organisations the increasing scale and complexity of operations makes this a stretching responsibility.



## CHAPTER 3

# TRULY ENGAGING

*“There is a very clear role Housing Associations can play. Building good quality accommodation in good locations and removing the stigma for people.”*

## COMMUNITY AT THE CORE

The ability to deliver what people need – quality, safe and well-managed homes – is only achievable if customers are being listened to. In today's modern and connected world, the capacity for listening is huge and communicating opportunities are enormous but hearing and responding is not always as easily done. Residents are vital – boards do recognise this – but they also acknowledge that this level of focus may have slipped. One interviewee laid it out plainly: *‘boards need to get out there and do a walk about’* so that they can really understand how residents think, live and want to engage.

With mergers more prevalent in the sector, the reality of engaging with, listening to and understanding residents is becoming more complex and more difficult to achieve on a practical level. Larger providers and those operating across a broader patch can invest more resources in *‘walking the patch’* but boards will also need to utilise data and feedback from contact centres and other feedback loops in order to get a fuller picture of their residents and the communities across which they operate. Boards need to consider what tools they have and how best to use them to achieve this recognised aim of understanding and engaging residents.

In Scotland it was particularly emphasised that Neighbourhood Associations, especially in parts of Glasgow and West of Scotland, are doing remarkable work to regenerate communities. The emphasis on supporting and developing communities was highlighted, including the extent to which this positively impacts on the lives of individuals while also helping to develop a strong sense of place within cities and towns. This is reflective of a more general approach to place-making right across the sector and is evidence that with proper consideration better places can be supported with the right mix of tenures, availability and affordability in the longer term. This, many argue, will sustain the sector in the long-term and help to provide the balance of the commercial with the social purpose.

*“At their core, boards are more interested than they were. They want to understand the residents and the communities.”*

*“It’s not just a numbers game. Even if government doesn’t prioritise the quality and mix of tenures, we need to remember our core purpose and prioritise them.”*



## THE RESIDENT BOARD MEMBER

If the purpose of the organisation is to deliver homes and support those who live in them, commercial viability is the vehicle. When framed in this light, it becomes abundantly clear that it is essential that a board should be keenly aware of listening to the *'resident'*, or in the case of Housing Associations the resident, to understand what they want and what the organisation can do for them.

Resident engagement in Housing Associations across all four countries of the UK is a priority, and how this is undertaken appropriately and in line with strategic objectives is more key than ever.

For many organisations the tradition of residents sitting on the board continues, but it is an ongoing area of debate across the sector. Some suggested having residents on the board *'keeps the board's noses to the grindstone and eyes on the vision'*. However, a number of those we spoke to argued that including residents at this strategic governance level was putting them in a position that was not fair or appropriate, unless properly equipped to be part of the board and fulfil the same skills matrix qualification required of other members.

In the current environment, the trend seems to be towards smaller governing boards. As a result, the make-up of a board has never been more crucial. While the ideal size of the board was discussed with our interviewees, the key area that was highlighted repeatedly was the importance of identifying the right skill sets to appraise, measure and ultimately add value to their organisations and the sector more broadly.

If not on the main board, the presence of residents on board committees or panels is seen as important, ensuring the board has clear line of sight into the experience and views of residents.

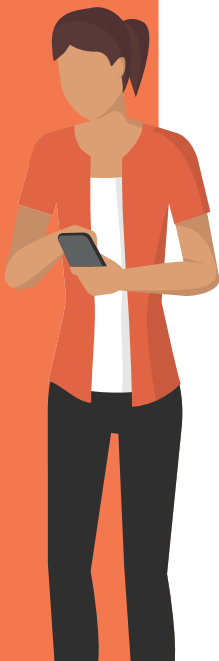
This was considered very positively, as was having co-opted experts serving on committees where relevant, rather than as full board members, as this additional level of expertise is seen as having further potential to eliminate risk.

*"This is a real journey – we have not got this right yet."*

*"As a board we want to hear feedback from our residents, but we need to have a generalist perspective and specialist expertise."*

*"We must listen to their voices, but I don't agree that residents should be mandated by the regulator to be on boards. Are they just being set up to fail?"*

*"Risk has increased exponentially and there are those residents who would be entirely at sea on the board."*



## DEMONSTRATING THE VALUE

As the board role evolves and a greater emphasis is given to the purpose of the organisation and the way it delivers, the requirement for more formal and demonstrable measurements of success and value-add will increase. With greater demands on the sector, more risk and higher levels of investment key performance indicators (KPIs) will become fundamental. This is a vital part of the board's role and its evolution.

During our conversations there were a few areas where measurement could potentially be improved for the benefit of those served by the sector, Housing Associations and the sector at large – and there was a sense that boards can help drive this agenda forward.

The first is about measuring, demonstrating and communicating how Housing Associations are delivering wider social value. The second is about measuring the effectiveness of resident engagement, and a third – but connected area – is customer service operations and resident satisfaction. There are likely to be other areas too – such as how development activity is meeting local needs – which may come under greater scrutiny.

Getting the metrics right and monitoring attainment will be crucial. It was suggested that these are somewhat in their infancy. There are those organisations which are starting to look much more closely for example at social value, but this requires a greater consideration from boards across the sector.

In a huge customer-facing sector, the value in engagement is undeniable: meaningful, responsive and proactive communication, supported by honest feedback, will add considerable value at both social and commercial levels and bring benefits to the organisation and the residents.

*“Boards are making these decisions implicitly, rather than explicitly. We need to develop a methodology.”*

*“Social purpose – how do we measure it, what are we measuring it against?”*

Areas of resident engagement which could be appropriately measured include: the purpose of the engagement; the format of the engagement; what the realistic outcomes can be; and how these outcomes will impact the services delivered. This must be a priority for boards and requires close working with the executive to ensure that it is delivered appropriately.

With the regulator's increased interest in resident experience and satisfaction, current methods of measuring resident satisfaction may be called into question and boards may want to consider how to stay ahead on this.

As alternative investment and funding opportunities are considered, proving value and measurement of success becomes more important. Private equity investment is looking for greater yields and that will continue to be the case, but there is a growing question for private and public investors: how does the sector get better at measuring the social benefit of investing money? What assessments can be made to balance commercial and social returns, and can capital allocations be made more accountable? This accountability needs to underwrite an organisation's purpose and ensuring this should be a priority for the board.

*“The board has to look at holding the executive to account. We need to ensure we are seeing performance data, but also carrying out independently verified customer research.”*

## WHERE TO NEXT?

The relationship between residents and landlords is paramount to ensure not only safety and security, but also to allow the voices of residents to be heard. This needs to be a priority for boards as much as executives, and absolutely is a focus for the regulators and governments. Across the sector it has been considered extensively and responses from organisations small and large show proactivity and a willingness to demonstrate how they are prioritising this. There remains no easy or straightforward answers as to how to get this ‘right’ however.

Our conversations wove through many of the areas considered in the Social Housing Green Paper and it was evident from the tone and resolve of our interviewees that there is a commitment to delivering the change the paper outlines. What was emphasised was the need for collaborative and realistic goals from across both the sector (including not for profit, public and private) and government to make good on these commitments.

Each devolved government and national housing body has placed a particular focus on resident participation and its importance at board and executive levels. The *‘Together for Tenants’* programme launched by the National Housing Federation has been broadly welcomed across the sector and puts a clear onus on governing bodies to listen to, understand and respond to the views of residents and customers. It is a hugely important area; no one we talked to denied that. However, it was still felt that it is too early to understand what an effective response to resident involvement looks like in reality. Placing a greater level of regulation on the relationship with residents is not the answer according to a noteworthy number of Chairs. Perhaps what is really required is a fundamental shift in attitude and approach overall: something that must come directly from the organisations and their boards.

Most Housing Associations are recognising that fundamental to meaningful and straight-forward resident engagement is investment in digital communications. This was emphasised repeatedly by those we talked to. Some had successfully transitioned and were using digital communications well with dedicated programmes in place, while others were less well-adapted. Significantly, it was commonly the smaller, more nimble organisations leading the way. One Chair did concede that *‘as an industry we have been slow to move and under invested in digital’* but this is changing and as a result the priority given to it at board level is rising.

*“Boards must have a strong line of sight on this – it is so important.”*

*“Housing Associations would be failing in duties to their communities if they don’t ensure well-being of the residents.”*

*“We need to work out a consistent level of engagement and feedback. We need to understand what people need. We have to get this right.”*

*“I much prefer the term customer engagement. I think this much better reflects the relationship with the executive and board.”*



## CHAPTER 3 - INSIGHTS

- Resident involvement and engagement are being increasingly prioritised, by the sector, the regulator, policy makers and other stakeholders.
- The role of the regulator was discussed across many areas, particularly in reference to the rules currently under debate that would shape the relationship with residents. It was considered that greater levels of regulation are not simply the answer, rather that the solution requires a more dynamic attitude and commitment from right across the sector.
- Understanding and listening to residents is central to the good governance model. Boards need to consider how to achieve this on a practical and operational level. The approach needs to be robust yet sensitive and balance the flow of feedback through contact centres and other pro-active outreach and focused engagement.
- Customer service is equally emphasised and boards need to work hard to ensure that the experience of their residents is something they can be proud of.
- In the digital age, both customer engagement and customer service need to embrace new technologies. Boards need to have the appropriate skills and perspectives at board level to deliver on this.
- There is a need for more formal and demonstrable measurements of success and value-add, with increased requirements for KPIs to show effectiveness at a strategic level.



## CHAPTER 4

# EYE TO THE HORIZON

*“The skill set is the most important aspect of the board.”*

*“This is a very professional sector compared to other non-profit, but lots in housing have been here for years. It’s quite myopic in thinking.”*

*“[The sector] needs to have housing experience on boards – that is imperative.”*

*“The pendulum has swung really far. From a governance perspective we need a much bigger spread of knowledge and experience.”*

*“Our boards are ostensibly still too white and too old – we need to change that and have real diversity of thought more than anything else.”*

## EVOLUTION, NOT REVOLUTION

The sector and the landscape in which it operates are evolving, and therefore it follows that boards will need to adapt. With this evolution has come a newly heightened focus on the skills board members are able to bring to the table.

The sense is most definitely of an evolutionary, rather than revolutionary process. There is still very much a need for traditional skills and, fundamentally, housing experience on boards in this sector. In fact, over a third of those Chairs we talked to were *‘housing people’* through and through, having spent the entirety or majority of their careers in the sector.

Some of those we spoke to suggested that there is perhaps a lack of breadth in the viewpoints available with many non-executives having spent their whole lives and careers within the sector, however in other parts of the sector, boards are finding themselves lacking in social housing expertise at non-executive level and this has the potential to create disconnects between the board and the executive.

While all agreed that it was vital to have some board members with experience in the sector, there were those who indicated that having too much housing experience could expose them to greater risk and limit the opportunity for innovation. Not one person we talked to suggested that there had to be a complete overhaul of the way boards are populated or identified, but many emphasised that it has to come into much sharper focus as the importance of governance grows exponentially.

Many boards are getting smaller, rendering the establishment of a skills matrix paramount. A number of areas were mentioned alongside the more traditional financial, legal and housing experience, but those referred to time and time again were risk and strategic property development. Marketing, digital and communications experience was also considered highly valuable. An outside perspective is increasingly seen as valuable to many as a balanced counter to that of *‘lifers’* in executive or non-executive functions.

The overwhelming consensus was that Housing Association boards are not diverse enough and that this really does need to change. This view relates not only to background, ethnicity and gender, but absolutely to embracing diversity of thought and an outside view. The challenge of avoiding *‘group think’* was noted as essential to provide clearer line of sight to residents and to embrace innovation. It was also considered absolutely fundamental to having a representative view of the communities Housing Associations serve. There is commitment in this area, particularly for Housing Associations based amongst more diverse communities: a board that is not representative of the communities for which it works has the potential to delegitimise the work that is being done to demonstrate greater engagement.

With a greater level of risk and complexity that has undeniably entered the sector, as well as the size and turnover of some of the organisations, Chairs often drew comparisons with Public Limited Company boards. There was a real recognition that while profit is not the paramount purpose of the organisation the function, level of risk and highly complex nature of the model and operational market mean that the skills and approach required from the board are comparable. For this reason, many of our interviewees argued that remuneration should be pitched appropriately.

The topic of board remuneration was considered in many of our conversations and opinions differed across geographies. In England, remunerating housing association board members has become pretty much standard practice and is recognised as a requirement to attract the skills and diverse talent needed. However, it was noted that this could also present challenges to those residents sitting on boards in terms of their income or universal credit eligibility.

In Scotland, board roles remain voluntary on the whole, and indeed many would argue that remuneration goes against the grain of what the position and responsibility requires. A values-based approach is as important as the skills required and offering remuneration would sit at odds with this, it was suggested.

*“There is no reason why we shouldn’t operate like a PLC. A lot of stress testing and business planning like a PLC, but really not being seen like that.”*

*“The board should be paid – they are contributing to structural information flow of the business, and taking on increasing risk and complexity.”*

*“There is a strong cultural undercurrent in Scotland that this is a voluntary sector role and that we don’t remunerate. That may change but don’t see it happening soon.”*



There is a clear recognition that Housing Associations boards have more responsibility and therefore need a more clearly defined role than ever before. Both the sector as a whole and each individual board need needs to demonstrate that they are crucial cogs in both our nation's society and its economy.

With an eye on the future it would be remiss not to talk about succession planning. In a sector steeped in people with long housing careers, there is an excellent pedigree of those coming through with relevant experience both in executive and non-executive functions. However, this does also present challenges, it was suggested, as it is a self-selecting group and has the potential to limit diversity by excluding out of sector experience. That said, there are those Housing Association boards that have been so focused on bringing in perspectives and expertise from outside the sector, that there is a real risk of ending up too few people on the board who understand social housing in depth, and could increase the risk of these complex organisations getting the responsible landlord role right. It is an area that requires a balanced approach for the long-term benefit of each individual Housing Association and the sector.

## THE LONG GAME

The demands on Housing Associations are very real and immediate. Homes are required now, and management is 24/7. However, this immediacy cannot be seen to overrule sustainability and the longer view.

It was agreed that the board should offer critical constructive challenge to the executive. One commentator said: *'We have to be keeping an eye on the bottom line that we need to generate. We must help the executive keep an eye on that.'*

However, it is a difficult line to walk, trying to not step into the operational role and keeping an eye on the future. This is, however, where the board needs to keep purpose front of mind. The core purpose should be the start and end of each strategic decision and communicated effectively so that it is built into the executive operational approach.

*"Boards need to ensure they are taking 5-10 year long-term strategic view. Facing increasing complexities of huge financing and debt."*

*"We just need to think 50 years ahead. We need to make money work differently. Business models need to be sustainable."*

*"Our role is not about man-marking the executive team. We need to think more broadly and strategically than that. The executive needs to show their own stewardship."*

## CHAPTER 4 - INSIGHTS

- There is call for greater diversity on Housing Association boards, both in terms of the backgrounds and life experiences of individuals. Inclusive governance is the order of the day.
- Boards are getting smaller therefore having an effective skills matrix is more important. This should be developed with the organisation's fundamental purpose in mind and should be optimised to combine a balance of sector experts with people who bring other critical skills and perspectives.
- Having board members with experience in external engagement and communications is becoming more commonplace as the sector needs to pull together to tell its story, influence the operating environment and demonstrate its social impact.
- As the responsibility of sitting on a Housing Association board grows, so too should the boundaries assigned to the role. Whether this is in terms of financial remuneration or more associated with the role's definition is subject to some debate.
- Clearly defined margins between the executive and non-executive roles remain vital: the board exists to ensure the strategic direction of the business is right and that the organisation is equipped to deliver against its objectives and regulatory requirements.

## CONCLUSIONS

**With the increased demand to build and house people across our communities comes ever higher levels of awareness and scrutiny. This results in growing pressure, risk and responsibility for governing bodies of Housing Associations. Alongside these growing challenges are intensified discussions over sustainable subsidy models, increased regulation, health and safety, lack of available or affordable land and the growing requirement to demonstrate performance. It is a complex and demanding environment.**

**Governance in this environment needs to be stronger, more visible and more clearly focused on the purpose of the organisation if the sector is to continue to flourish in the future. Beyond the national and local housing mandate there needs to be a clear ambition set out by the board of each organisation to establish what they must do to achieve their purpose. It is with the board that realism must reside: it is the role of the governing body to issue continual reminders of what can be achieved with an innovative approach to delivery. This is fundamental to the sustainability of each organisation, and indeed the sector more broadly.**

**The importance of a values-based attitude is embedded firmly at the heart of this sector, something that looks unlikely to change, however Housing Associations need to have the confidence to shout above the noise of political and financial uncertainty and instead tell their stories. The housing sector is, after all, one born from progression and with its roots firmly entrenched in its social purpose and that is a tale well worth sharing.**

**Building a board with a clear purpose to drive forward the evolution in housing requires a balance to be struck between skills, attitudes and experience. The housing sector is, without a doubt, one of the most challenging in the UK, but it is also one of the most rewarding. It has the capacity to change lives, but at its core must be governance strong enough to ensure it flourishes and survives, despite the threats it faces, to serve future generations. The time is now, and the opportunity is there for a strong and purposeful board to make the difference and build and support the right places for individuals, families and communities across the UK.**



## FURTHER DISCUSSION

The housing practice at Saxton Bampfylde will be hosting a series of round-table and other informal discussions with leaders in the sector over the coming months to draw on reflections and insights included in *Paving the Way*. The questions below cover the areas we would like include and we would be delighted to hear your thoughts in the meantime.

Contact us at: **housing@saxbam.com**

“

*Do Housing Association boards have a role to play in influencing the operating environment and sustainability for the sector and address systemic challenges?*

*How can governance evolve to mitigate some of the risks associated with some housing associations doing more development?*

*How does the notion of ‘mission creep’ compare to extending the reach and impact of housing associations in communities?*

*How do boards establish what effective and meaningful and trusted resident engagement looks like?*

*What proaction could the sector take to ensure boards are more diverse?*

*How do you ensure the right balance of housing and non-housing experience at board level? Are there risks as well as opportunities for the sector with such a wide range of skills being considered/required at board level?*

*Is there value in getting better at measuring effectiveness in the sector? Can other sectors provide examples or tools to improve understanding of measurement, evaluation and reporting?*

*Could greater collaboration between providers of different scales and in different geographies bring greater benefits?*

”

# TOP 10 STRATEGIC PRIORITIES

As outlined by our interviewees

- Delivering financial resilience and managing risk.
- Addressing challenges to business model through social economic policy, cross subsidy models and lack of grants.

- Supporting resilient communities.
- Ensuring the best governance structures are in place.
- Navigating mergers and integration.

- Focusing minds on what the core business is and what are beyond their services – limiting down *'mission creep'*.
- Building more homes and ensuring mixed tenures.

- Providing great resident service – better use of digital and wider communications to offer more care and support to residents..

- Ensuring optimal Health and safety environments – very real issue particularly post-Grenfell.
- Managing existing stock and assets.

Additional areas also discussed: succession planning; alignment with the regulator; choosing new and additional investments; innovation and new approaches; planning and availability of land; partnership working.

# SKILLS OR EXPERIENCE IDENTIFIED FOR THE HOUSING ASSOCIATION BOARD OF THE FUTURE

- Inclusive governance
- Customer service at scale
- Communications and marketing
- Pro-active customer engagement and involvement
- Cross-sector ecosystems around resilient communities
- Finance expertise (including corporate finance)
- Legal
- Risk management
- Property development (particularly corporate property development experience)
- Asset and housing management
- Digital
- Health and Safety

*All Board members must be values-minded and prepared to deliver with passion and purpose.*



## METHODOLOGY

To produce this piece, we spoke with a representative sample of Chairs of Housing Association boards from across the UK. We selected interviewees carefully to ensure representation from organisations with differing sizes and scopes, as well as geographic regions where housing is a devolved matter to ensure the broadest perspective.

The focus of our questioning was on the evolution of the housing sector, and primarily the role and requirements of the board now and in the future. We discussed the core strategic priorities facing boards as the sector profile and mandate for building at scale has increased. We considered the role of the board in resident engagement and community building in a sector where customer service has become a cornerstone. And crucially we talked about the purpose of the organisation, balancing the commercial and the social functions of Housing Associations, and what this means for governance, and the skills, attitudes and experiences required in boards of the future.

To encourage our leaders to speak openly, we assured anonymity. This ensured that we were gathering honest thoughts, observations and learnings. We have incorporated anonymous quotes throughout this piece to reflect our conversations and the themes arising, and to give an indication of thought and response.

Our questioning was open-ended to give participants the opportunity to express their opinions and to share their individual perspectives and experience both as Chair and more broadly through their role as a member of the board of their respective organisations. We conducted these interviews over a period of two months.

## FURTHER READING

Organisations such as the Hyde Group have also carried out work to consider how social purpose can be measured or given monetary value. This includes pieces such as the following:

***[www.hyde-housing.co.uk/corporate/our-social-purpose/our-value-to-society/](http://www.hyde-housing.co.uk/corporate/our-social-purpose/our-value-to-society/)***



# ABOUT SAXTON BAMPFYLDE

## OUTSTANDING LEADERSHIP AT THE HEART OF HOUSING ASSOCIATIONS

Saxton Bampfylde is a values-led, employee-owned, global executive search and leadership advisory firm, with a strong commitment to diversity and inclusion.

Working across the commercial, public and not-for-profit sectors for over 30 years, our networks are unusually broad and deep. Through our work advising Housing Associations, we find and develop strategic and commercial leaders at non-executive and executive level, who will be authentic champions of your social purpose.

Our unique model, where researchers work exclusively on single projects for 2.5 weeks, ensures exceptionally high quality, diverse and engaged candidate pools.

And we don't just help to find leaders. We are increasingly supporting individuals and their teams to develop and realise their full potential by offering bespoke and insightful programmes designed by our in-house team of experts.

- **Executive Search**
- **Board Review**
- **Individual & Team Assessment**
- **Talent Mapping**
- **Coaching**

### FOR MORE INFORMATION CONTACT:

**Hannah Scarisbrick, Head of Housing Practice**

[hannah.scarisbrick@saxbam.com](mailto:hannah.scarisbrick@saxbam.com)

+44 (0)20 7227 0851









# Saxton Bampfylde

The logo features a thin, elegant white swoosh line that starts under the 'S' and curves gracefully under the 'y' of 'Bampfylde'.

## **LONDON**

9 Savoy Street  
London  
WC2E 7EG  
+44 (0)20 7227 0800

## **EDINBURGH**

46 Melville Street  
Edinburgh  
EH3 7HF  
+44 (0)131 603 5700

[www.saxbam.com](http://www.saxbam.com)

Partners in **Panorama**

*Search around the world*

[www.panoramasearch.com](http://www.panoramasearch.com)