

CABINET ITEM COVERING SHEET PROFORMA

**AGENDA ITEM**

**REPORT TO CABINET**

**18 MAY 2006**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**CABINET DECISION/COUNCIL DECISION**

*Housing – Lead Cabinet Member – Councillor K Leonard*

**TRISTAR HOMES LIMITED – STRENGTHENING GOVERNANCE**

1. Summary

To seek Cabinet approval to a scheme of remuneration and appraisal for the Tristar Homes Board.

2. Recommendations

1. That the proposal outlined at Appendix 1a be endorsed;
2. That the Council's independent allowances panel be requested to review and administer the scheme thereafter.

3. Reasons for the Recommendations/Decision(s)

The ODPM guidance stipulates Council endorsement of any scheme for ALMOs

4. Members Interests

Members (including co-opted members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (paragraph 8) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (paragraph 10 of the code of conduct).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting is being held, whilst the matter is being considered; not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (paragraph 12 of the Code).

**Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc.; whether or not they are a member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting, and if their interest is prejudicial, they must also leave the meeting room during consideration of the relevant item.**

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MANAGEMENT TEAM**

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**TRISTAR HOMES LIMITED – STRENGTHENING GOVERNANCE**

**SUMMARY**

To seek Cabinet approval to a scheme of remuneration and appraisal for the Tristar Homes Board.

**RECOMMENDATIONS**

1. That the proposal outlined at Appendix 1a be endorsed;
2. That the Council's independent allowances panel be requested to review and administer the scheme thereafter.

**DETAIL**

1. Attached at Appendices 1 – 3 are copies of reports (prepared by the Director of Stockton Borough Council's Development & Neighbourhood Services in conjunction with Tristar Homes Limited's Company Secretary) which have been considered by the Tristar Homes Limited Board. They consider a range of issues relating to improving the capacity and effectiveness of both the governance and performance of Tristar Homes Limited.
2. This reflects one of five critical areas of the comprehensive service improvement plan (SIP) developed as a result of the Audit Commission's housing inspection report in 2005 in which it stated "It is not clear that the Board provides the proactive leadership necessary to drive forward change". The SIP is in effect a route map to a 3 star excellent service.
3. Specifically there are comprehensive training and development programmes, dedicated support, peer monitoring and revised governance structures. A detailed scheme of appraisal for the Board, and in particular, for those key positions on the Board which have special responsibilities has been agreed in principle and a detailed scheme due for consideration and approval at their next Board meeting.
4. One element of this package of measures (which of course all feeds into the comprehensive service improvement plan) which requires specific approval from Stockton Borough Council is the scheme of remuneration. This has been considered and debated in detail at several Board meetings – Appendix 2 and 3 reflect this.

5. Subsequently Tristar Homes Limited have approved the scheme of remuneration and appraisal as at Appendix 1a subject to Stockton Borough Council endorsement. In effect the scheme of remuneration will apply to five specific roles, each with special responsibility. The costs will be met from existing Tristar Homes Limited budgets.
6. It would be appropriate for the Council's independent allowances panel to be asked to review and administer the scheme and the costs of such to be recharged to Tristar Homes Limited.

## **FINANCIAL AND LEGAL IMPLICATIONS**

### **Financial**

7. Total cost of the scheme is £15,500 per annum to be met by Tristar Homes Limited existing budgets

### **RISK ASSESSMENT**

8. Primary risk is in not adopting a scheme – difficulties in attracting and retraining Directors will detrimentally affect governance and performance of Tristar Homes Limited.

## **CONSULTATION INCLUDING WARD/COUNCILLORS**

9. All tenants have been invited to comment on proposals via tenant newsletter and Tristar website – details will be made available at your meeting.

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<u>Background Papers</u>	Previous reports to Tristar Homes Board – included as appendices Audit Commission Inspection Report of Tristar Homes Limited ODPM Guidance Paper
<u>Ward(s) and Ward Councillors:</u>	N/A
<u>Property Implications</u>	N/A

**AGENDA ITEM NO****TRISTAR HOMES LIMITED****BOARD MEETING 24 FEBRUARY 2006****REPORT OF CORPORATE DIRECTOR  
DEVELOPMENT AND NEIGHBOURHOOD  
SERVICES (SBC)****TRISTAR HOMES LIMITED – STRENGTHENING GOVERNANCE****SUMMARY**

To propose a scheme of remuneration and appraisal for the Tristar Homes Board. This follows on from previous reports on 28 June 2005, 25 November 2005 and most recently 13 January 2006.

**RECOMMENDATIONS**

1. The Board endorse a formal scheme of remuneration as detailed as at Appendix 1a.
2. The Board endorse appraisal scheme for Board Members as outlined in the report – details of which will be presented to your next meeting.
3. The Councils independent allowances panel be utilised to review the scheme.

**DETAIL**

The issue of remuneration for Board members positions with significant responsibilities has been highlighted in several previous reports to the Board. Initially this was one element of wholesale improvements to the governance, capacity and effectiveness of the Board – as a strand of the comprehensive improvement plan.

Attached at Appendix 1 is the latest report to The Board on the 13 January 2006 which considered in much more detail the issues surrounding remuneration.

Following the extensive discussions and debate which have accompanied the reports at your Board meetings it was agreed to present formal proposals for a scheme. This is at Appendix 2.

In addition The Board were mindful of the necessity for a vigorous, supportive yet challenging appraisal process for the Board particularly for those positions which have been identified as deserving of a special responsibility allowance. Subsequently a detailed scheme is being prepared for presentation to your next meeting.

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### **Financial Implications**

£14,350 p/a in allowances } to be met from existing management allowances.  
£1,000 p/a in costs and charges} This is 0.25%

### **Community Safety Implications**

None directly

### **Consultation**

With relevant officers within Stockton Borough Council

### **Risk Impact**

The principal issue is around the potential difficulty in recruiting and retaining Board Directors with the skills and knowledge to support the ambition and requirements of the Business Plan.

### **Impact on Other Policies and Strategies**

None

POSITION	ANNUAL SRA	REMIT
Company Chairman	£6750 p/a	<p><b><u>In addition to the responsibilities of a general Board member the Chair must:</u></b></p> <ul style="list-style-type: none"> <li>(a) Ensure the efficient conduct of the Board's business and of the companies general meetings;</li> <li>(b) Ensure that all Board members are given the opportunity to express their views before any important decision is taken;</li> <li>(c) Establish a constructive working relationship with, and provide support for, the Managing Director and Executive Management Team.</li> <li>(d) Ensure that the Board delegates sufficient authority to its committees, the Chair, the Managing Director and others to enable the business of the Company to be carried on effectively between meetings of the Board, and also to ensure that the Board monitors the use of these delegated powers.</li> <li>(a) Represent the Company;</li> <li>(b) Ensure that the Board receives professional advice when it is needed;</li> <li>(e) Ensure that the Company complies with its rules, orders and codes.</li> <li>(f) Represent the Company;</li> <li>(g) Ensure attendance at Board meetings, training, informal meetings, events and other Company meetings wherever possible.</li> </ul> <p>In carrying out these duties the Chair should always be mindful to act on behalf of the Board and not in isolation.</p>
Company Vice Chairman	£1900 p/a	<p><b><u>In addition to the responsibilities of a general Board member the Vice-Chair must:</u></b></p> <ul style="list-style-type: none"> <li>(c) Stand in for the Chair as required to ensure the efficient conduct of the Board's business and of the companies general meetings, and ensure that all Board members are given the opportunity to express their views before any important decision is taken;</li> <li>(d) Establish a constructive working relationship with, and provide support for, the Managing Director and Executive Management Team.</li> <li>(e) Represent the Company;</li> <li>(f) Ensure that the Board receives professional advice when it is needed;</li> <li>(h) Ensure that the Company complies with its rules, orders and codes.</li> <li>(i) Represent the Company;</li> <li>(j) Ensure attendance at Board meetings, training, informal meetings, events and other Company meetings wherever possible.</li> </ul> <p>In carrying out these duties the Vice-Chair should always be mindful to act on behalf of the Board and not in isolation.</p>

POSITION	ANNUAL SRA	REMIT
Chair of HR Sub-Committee	£1900 p/a	<p><b><u>In addition to the responsibilities of a general Board member the Chair(s) of the Committee must:</u></b></p> <p>(a) Ensure the efficient conduct of the Committee's business.  (b) Ensure that all Committee members are given the opportunity to express their views before any important decision is taken;  (c) Establish a constructive working relationship with, and provide support for, the Managing Director and Executive Management Team.  (d) Ensure that the Committee receives professional advice when it is needed;  (e) Represent the Company;</p> <p>In carrying out these duties the Chair(s) of the Committee should always be mindful to act on behalf of the Board and not in isolation.</p> <p><b><u>Human Resources Committee</u></b></p> <p><b>Purpose</b></p> <p>To oversee the Company's responsibilities as an employer and the arrangements for the effectiveness of the Board and its Members, ensuring the Company is accommodated, equipped and administered to provide efficient, effective and economic services to its customers and stakeholders.</p> <p><b>Functions</b></p> <ol style="list-style-type: none"> <li>1. To consider and review the policy and arrangements for Board membership and election of Chair and Vice-Chair – at least once year – reporting recommendations to the Board.</li> <li>2. To consider and recommend to the Board any significant changes to the Company's organisational structures and levels. (The Chief Executive has delegated authority for minor changes within budget provision and other delegations in respect of staffing issues).</li> <li>3. To oversee and make recommendations to the Board concerning the provision and maintenance of office accommodation for the Company.</li> <li>4. To review the Company's personnel policies, terms and conditions and make recommendations to the Board.</li> <li>5. The Board's representatives empowered to fulfil the functions specified in the Company's Handbook of Personnel Polices will be drawn from the Members of the Committee; these bodies include:- <ul style="list-style-type: none"> <li>• <b>Membership of the Joint Consultative Group</b> The Chair of the committee together with the Board Chair will be an ex-officio the Board's representative on the JCG.</li> <li>▪ <b>Appeals Panel</b> This panel has delegated authority to make decisions within the Company's policy and budgets, any such decisions will be reported to the next meeting of the Board. Because of their nature most reports will be confidential. A detailed procedure governs the proceedings for appeals.</li> </ul> </li> <li>6. To oversee and review – at least annually, the Company's training and development plans for both employees and Board Members, and recommend the plans to the Board.</li> <li>7. To make recommendations to the Board regarding the recruitment process and membership of the Appointments Panel for vacancies arising in the Executive Management Team.</li> <li>8. To oversee the implementation of the Company's Equal Opportunities Policy and Managing Diversity Framework in relation to recruitment, employment, training and service provision.</li> <li>9. To oversee, the Company's internal control arrangements for health and safety, and to review these arrangements (at least annually) and report to the Board on their adequacy and recommendations for change.</li> </ol>

POSITION	ANNUAL SRA	REMIT
Chair of Finance & Audit Sub-Committee	£1900 p/a	<p><b><u>In addition to the responsibilities of a general Board member the Chair(s) of the Committee must:</u></b></p> <p>(f) Ensure the efficient conduct of the Committee's business.</p> <p>(g) Ensure that all Committee members are given the opportunity to express their views before any important decision is taken;</p> <p>(h) Establish a constructive working relationship with, and provide support for, the Managing Director and Executive Management Team.</p> <p>(i) Ensure that the Committee receives professional advice when it is needed;</p> <p>(j) Represent the Company;</p> <p>In carrying out these duties the Chair(s) of the Committee should always be mindful to act on behalf of the Board and not in isolation.</p> <p><b>Finance &amp; Audit Committee</b></p> <p><b>Purpose</b></p> <p>To oversee the Company's overall financial, internal control and performance management frameworks. Ensuring that the Company complies with legislation, the Management Agreement and generally accepted standards of performance, propriety and probity.</p> <p><b>Functions</b></p> <ol style="list-style-type: none"> <li>1. To review and approve the quarterly financial reports</li> <li>2. To examine medium and long term financial forecasts, including the financial aspects of the Company's Business Plan/Delivery Plan and make recommendations to the Board.</li> <li>3. To receive and consider reports on the Company's performance against key Business Plan and financial critical indicators, recommending any necessary corrective action.</li> <li>4. To consider draft audited accounts and make recommendations to the Board.</li> <li>5. To make recommendations to the Board concerning the appointment of the Company's internal and external auditors (subject to ratification at the Annual General Meeting) and to review their work programmes, performance and value for money.</li> <li>6. To consider the external auditor's management letter and draft a response for the Board to approve.</li> <li>7. To oversee, the Company's financial and internal control arrangements, including internal audit, risk management, health and safety, scheme of delegation and financial regulations. To review these arrangements (at least annually) and report to the Board on their adequacy and recommendations for change.</li> <li>8. To consider, review and recommend to the Board the Company's information systems strategy.</li> <li>9. To make recommendations to the Board concerning treasury management, insurance cover and pension arrangements.</li> <li>10. To consider and recommend to the Board any new or revised policies or strategies on areas within the remit of the Committee.</li> <li>11. To support and advise staff on finance, performance and audit matters.</li> </ol>

**AGENDA ITEM NO**

**TRISTAR HOMES LIMITED**

**BOARD MEETING 13 JANUARY 2006**

**REPORT OF CORPORATE DIRECTOR  
DEVELOPMENT AND  
NEIGHBOURHOOD SERVICES (SBC)**

**TRISTAR HOMES LIMITED – STRENGTHENING GOVERNANCE**

**SUMMARY**

To further consider the issue of remuneration for Board members following previous reports on Directors Resources and governance presented to Board on 28 June 2005 and on the 25 November 2005.

**RECOMMENDATIONS**

1. Board members consider whether they wish to introduce a scheme of remuneration for Key Board positions to help strengthen and improve governance of THL Board.
2. If a scheme is supported:
  - a) members consider whether to remunerate identified roles in line with ODPM guidance.
  - b) At what level and on what basis would remuneration be awarded
  - c) A more detailed proposal be presented to the next Board meeting.

**DETAIL**

**1. Board Development**

Following the 2005 Housing Inspection of Tristar detailed consideration has been given to improving the capacity and effectiveness of the governance arrangements, namely Tristar Board. Specifically, Volanti (external specialists) have developed comprehensive training programmes for individual board members and the board as a whole. The board now have dedicated administrative support; each member will have access to appropriate IT at home to ensure improved communication flows and Kirklees, (a three star ALMO), are providing a mentoring function. All of these initiatives are improving the quality of governance at Tristar Homes, helping to develop the necessary leadership for the company to reacquire its former two star status at the next inspection and move towards being a three star organisation in the very near future.

However to provide the level of governance required of an “excellent” rated organisation considerable time and commitment is required by board members and particularly of the Chair of the Board and those who lead sub committees. Board members have the opportunity to consider whether they feel is appropriate to offer any remuneration to reflect the additional time, commitment and level of responsibility required of these position holders.

## 2. The National Picture

In October 2005 the Office of the Deputy Prime Minister (ODPM) issued a guidance note on remuneration of Board Members. The paper considered the issue of whether board members of ALMO's could be remunerated in line with options available to board members of Registered Social Landlords (RSL's). In June 2003 RSL's were given the power to remunerate their board if they wished. Remuneration would be on the basis of recognising the increased time commitment and responsibilities involved in carrying out a board role and to address problems with recruitment, high turnover of board members, retention and board performance. The ODPM guidance note advised ALMO's should also be given the option to remunerate their Board members up to a maximum of £20,000 p/a, based on the size and complexity of the organisation. The guidance advises any decision to remunerate board members must be considered in detail and will need to be backed up by robust justification as to the reasons. Any decisions must be supported by the Local Authority.

## 3. When might remuneration be appropriate?

The key consideration for board when considering remuneration for board members is whether that can lead to improved governance and performance. ***Thought should be given to the following:***

- Performance – remuneration may be considered as one of a number of measures to tackle poor performance (other measures which have already been considered and some implemented at Tristar include additional training and development). Reference also needs to be made to linking the measurement of board performance to an appraisal system.
- Recruitment and Retention – there may be problems in recruiting or retaining Board members and consideration should be given as to whether remuneration would help this issue or whether advertising more widely could achieve the same effect. From Tristar's position there has been some difficulty in recruiting independent board members of a suitable calibre and background and there are currently two vacancies at this level.
- Skills – remuneration could be used to address problems with board composition as it may lead to a more diverse, better qualified board. However, using remuneration to attract people to the board should be considered alongside other measures to improve board efficiency such as training, capacity building and appraisal.
- Reward – Tristar may wish to reward its Board Members for their commitment and hard work and this should be justified in the context of continuous improvement and accountability linked into a transparent appraisal system.

## 4. Which positions to include?

It may not be appropriate to remunerate all board members and in some circumstances remuneration of the chair only, may be appropriate. However, careful consideration should be given to issues of equality and where there are board members other than the chair who also have special responsibilities and/or additional workloads.

### ***Board members in receipt of benefits***

Remuneration of board members may have an affect on benefit entitlement and the ODPM advise that the offer of remuneration, even if refused, can have implications for benefits as this can be seen as the recipient effectively refusing paid work. Board members would be responsible for considering the implications on their own circumstances.

## 5. **Financial Implications**

In considering whether to remunerate board members Tristar need to consider whether the costs can reasonably be met by the company. This judgement needs to be weighed against the benefits of improved governance. Remuneration would normally be in the form of an annual sum.

### **Remuneration Levels**

The maximum remuneration that can be made is £20,000 but a remuneration of this size would be expected only in exceptional circumstances and usually to Chairs of large group structures. Comparator information from the Housing Corporation shows that the majority of remunerated chairs receive between £7,000 and £10,000 p/a for large RSL's (5,000 homes plus a significant development programme) and between £3,500 and £7,000 p/a for smaller RSL's. (5,000 homes and average level of development activity)

## 6. **What to consider when looking at remuneration for Board members**

### **The issues to take account of include:**

- Whether that proportion of turnover is reasonable to spend on remunerations to the governing body
- Whether the total amount is justified
- Whether the amount to be spent would adversely affect the ALMO's ability to deliver services to tenants
- The impact the remunerations would have on the ALMO's other obligations
- Whether the expected improvements in performance justify the expenditure on board remuneration.

### **When considering amounts to pay consideration should be given to:**

- The time the member is expected to spend on ALMO duties
- The level of responsibility assumed
- The size and complexity of the ALMO and the difficulty of the job
- Amounts paid by other like organisations
- Remunerations to board members of similar public sector or voluntary organisations

No approval is required from ODPM to introduce board member remunerations but ODPM need informing so they can keep a record and ODPM will expect guidance to have been followed.

## 7. **Comparator Organisations**

To inform the debate on remunerations of board members information has been gathered on who is remunerating board members currently.

Clearly remuneration of ALMO members is in the early stages as the guidance from ODPM was only issued in October 2005. To date one other ALMO at Westminster is also considering remuneration, though this position may well change over time.

No Tees Valley RSL Boards are currently receiving remuneration though a number of national RSL boards are.

Members of Cleveland Fire Authority all receive an annual allowance of just over £1,000 p/a. There is a required code of conduct for members

At Cleveland Police Authority members receive a basic allowance of £7,500 p/a. The Chair of the Authority receives £15,000 p/a and the vice chair £11,250 p/a. As with the fire authority there is a required code of conduct for members

Tees Valley Living, the sub regional housing market restructuring board have just advertised for a chair who will need to work the equivalent of 2 to 3 days a month for £10,000 p/a following previous problems in attracting suitable applicants on a non paid basis.

***At SBC Current Member allowances are:***

Leader	£13,500	
Deputy leader		£ 7,850
Cabinet Member	£6,750	
Committee Chair (Scrutiny Committee)	£3,800	
Vice Chair Scrutiny	£1,900	
Political party leader	£3,800	
All Councillors		£5,470

These levels are subject of a current review.

**8. The Way Forward**

Tristar Board members need to consider whether, in view of the information contained in this report they wish to introduce remuneration for board members. Members would not be advised to introduce remunerations for all board members as few organisations take this approach. Indeed in line with the guidance from ODPM the board should consider remuneration in line with specific added responsibilities. If remunerations are approved then the Board are advised to recommend the level of remuneration in line with the shareholders allowances for their councillors and independents who hold specific additional responsibilities.

***Remuneration for the Chair***

On the basis of additional responsibilities the position of Chair is recognised as having the greatest job content. The role requires significant additional time commitment and to the outside world the post holder will represent the public face of the company. During any inspection process the Chair will be expected to have a detailed knowledge of the company and lead the board in its strategic thinking.

Perhaps the nearest comparator would be that of a Cabinet member.

***Remuneration for board members with additional duties***

Additionally the board could consider remuneration for those board members who are vice chairs or Chair sub committees of the organisation, though these are currently subject to review. The chairing of sub committees means the use of delegated powers to take forward key areas of the business and clearly requires a significant additional time commitment to prepare for meetings and set agendas in addition to chairing meetings. These roles would appear comparable with the allowances paid to other chairs and vice chairs of scrutiny committees depending on work programmes.

**9. Duties and Responsibilities**

Should the Board choose to remunerate any of its members it needs to be in line with expectations re performance as the purpose of remuneration is to drive up standards of performance and governance within the Company. A vigorous system of performance management with an annual appraisal will need to be developed by the shareholder. This will also assist with using a transparent and accountable system.

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**Financial Implications**

Any scheme of allowance and remuneration will bring new revenue consequences depending on the levels and nature of a final scheme which will need to be funded from existing budgets.

**Community Safety Implications**

None directly from this report

**Consultation**

Preliminary discussions have taken place between the Company and The Council (with its officers) in line with the ODPM guidance note for Remuneration of ALMO board members. Formal approval by Stockton Borough Council would be required for a final scheme.

**Risk Impact**

The recommendations in this report are part of the service improvement plan, particularly key objective 3.2 (supporting and developing the board).

**Impact on Other Policies and Strategies**

None

**AGENDA ITEM NO. 10**

**TRISTAR HOMES LIMITED BOARD  
MEETING 28 JUNE 2005**

**REPORT OF CORPORATE DIRECTOR  
OF DEVELOPMENT AND  
NEIGHBOURHOOD SERVICES**

**DELIVERING EXCELLENCE – SUPPORTING AND DEVELOPING THE TRISTAR HOMES LTD BOARD**

**SUMMARY**

This report contains a number of proposals for developing the Tristar Homes Ltd Board, to enable it to lead the drive for excellent services throughout the organisation.

**RECOMMENDATIONS**

That the Board consider and approve proposals to develop the Tristar Homes Ltd Board, strengthening its capacity to act as the key driver in the overall improvement process. These proposals can then be developed and incorporated within the detailed improvement plan.

**DETAIL**

**Background**

In the recent Audit Commission inspection report on Tristar Homes Ltd's services, the following comments were made about the working of the Board:

"It is not clear that the Board provides the proactive leadership necessary to drive forward change" and "we found few examples of the Board having challenged managers on fundamental issues." (Page 53, paragraph 237).

In order to ensure that the necessary fundamental improvements in service delivery are achieved, sustained and built on, the Board itself must be "fit for purpose" – that it has the necessary capacity and support to provide that proactive leadership and challenge on fundamental issues.

**Review of the Board's Constitution**

The Board's constitution was developed as part of the establishment of the ALMO in 2002 and must now be reviewed in light of three year's experience and the much greater information available about the role that the Board needs to play in leading Tristar Homes to the goal of excellent services.

From examination of other successful board structures it is apparent that those boards are effectively led, work well as a team and it is clear where lines of responsibility lie. There is clarity in the Board's role, of their need to provide effective challenge and Board members are aware of all expectations, including the level of commitment and contribution required.

Within the Tristar context, the following alterations to the current constitution could help the Board to operate more effectively.

**Appointment of Additional Vice-Chair** – in order to have all the three “blocks” within the board structure fully represented, it is important that all three blocks are represented as part of the leadership on the Board, through the roles of Chair and Vice-chair. This will be achieved by creating an additional Vice-chair role to be filled by a Council Member, the block which is not currently represented at this level on the Board.

**Board Member Responsibilities** - from the comments in the Tristar inspection report, and in other inspections of ALMO's and RSL's, there is now a much clearer picture of the expectations placed on Board members, by way of time, effort and function. Given the rising level of these expectations, it would be appropriate for an independent review of Board member responsibilities to be undertaken and included as a piece of work in the Service Improvement Plan.

This independent review would then report back with its recommendations for approval by the Tristar Board in October 2005.

**Chair and Vice-chairs to be elected for two year periods** – the current annual nomination and election of Chair and Vice-chairs does not help in building stability and encourage longer term planning – it is proposed that these terms be extended to a two-year period to address those issues.

**Managing Director to join the Board** – to link the executive directly to the Board, it is proposed that the leading executive management team member should become a Board member.

**A member of Tristar's staff to join the Board** – the lack of staff knowledge of the role and workings of the Board has hindered the organisation's development. Having a member of Tristar's staff on the Board – selected by the staff body itself – would greatly assist in improving staff knowledge and interest in the role and workings of the Board.

**Extending the use of sub-committees** – the establishment of sub-committees for HR and Finance have assisted the Board in reducing some of the workload from actual board meetings. It is proposed that the use of sub-committees is extended to allow the full Board to focus on the strategic leadership of the organisation.

**Quorate requirements** – the current requirements for each of the three blocks within the board structure to be represented before a meeting can be considered quorate has hindered the ability of the Board to fulfil its functions. Given the need for the Board to operate as a team, it is proposed that a meeting should be considered quorate where there are sufficient Board members in attendance, regardless of which block they represent.

### **Support for the Board**

The Board requires adequate support to enable it to perform its functions successfully. To this end the following support improvements are proposed:

**Dedicated clerical support for the Board** – it is proposed that a member of Tristar's staff will be dedicated to solely providing clerical support, producing documents and presentations, filing of reports, organising meetings, etc.

**IT installation and training** – to improve communication with Board members, it is proposed that suitable computer equipment is installed in Board members’ homes, and appropriate training is provided in its use.

**Use of Stockton BC scrutiny officers** – to improve the Board’s level of scrutiny, it is proposed that the team of scrutiny officers currently involved in supporting scrutiny reviews with the Council will be made available to the Tristar Board. These scrutiny officers will be able to assist in ensuring that scrutiny exercises are effectively carried out. This proposal would require a financial contribution from Tristar, equivalent to the funding for one post.

### **Board Training and Development**

**Training on challenge and scrutiny** – it is proposed that Melvin Nixon of Aware UK – an expert in the field – is appointed to provide training (up to two full days) to develop the Board’s capacity to challenge and scrutinize effectively.

**Further development work** – it is proposed that Volanti – a company considered amongst the leading organisations in board development – provided further development support to the Board, focused on improving teamwork, improving the interactions with the Council and developing team and individual training and development plans.

**“Critical friends”** – Tees Valley Housing Association and Nomad Housing Ltd – both leading organisations locally - have offered to act as “critical friends” to assist in board development, which would include mentoring of the Chair and Vice-chair and to encourage attendance of Tristar Board members at their Board meetings.

It is proposed that these proposals are developed further and included within the Service Improvement Plan.

### **Making the Board more representative of the Customer Base**

To function effectively the Board must be a reasonable reflection of the customer base in terms of sex, age and race. Although the lack of detailed information on Tristar’s customer base was seen as a significant weakness by the Audit Commission and will be rectified over the two-year improvement process, it is clear that the Board is not representative of all our customers. This is particularly apparent with the lack of any Board members from an ethnic community, any young person (under 30) or any leaseholder.

It is proposed that to align the Board more closely with the customer base, that active efforts are made to recruit representatives of those groups to the Board.

### **Increasing the Board’s Profile**

The Tristar Board’s profile is currently very low amongst residents, staff and other stakeholders and needs to be raised to increase the confidence that these stakeholders have in its strategic role. To this end a number of measures are proposed to achieve that goal, including:

- “Back to the Floor” exercises – Board members shadowing members of staff in different service areas to get a feel for the reality of delivering services;
- Chair and Vice-chairs to meet regularly with leaders of the main Council political groupings;
- Board members to attend resident meetings;

- Area Housing Managers to have regular meetings (twice yearly at least) with board members and local Councillors;
- Drop-in sessions for Councillors to meet the Board;
- “Question Time” at Board meetings;
- Board meetings to occasionally take place on estates, community centres, etc.;
- “Open to Question” a feature in the “Evening Gazette” where the Chair answers questions from readers– this could be developed from an initial feature within “Tristar News”.

### **Conclusion**

These proposals represent wide ranging and significant changes to how the Board will operate in the future, but changes which are necessary and appropriate to produce a fit for purpose Board.

#### **Contact details:**

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### **Financial Implications**

There are financial implications in several of the proposals, specifically in bringing in additional training resources, the appointment of dedicated clerical support, the use of SBC scrutiny officers and the provision of IT equipment and training.

#### **Community Safety Implications**

None directly

#### **Consultation**

None

#### **Risk Impact**

There are no significant risks attached to any of the improvement proposals.

#### **Impact on Other Policies and Strategies**

None directly

**AGENDA ITEM NO 7**

**TRISTAR HOMES LIMITED**

**BOARD MEETING 25 NOVEMBER 2005**

**REPORT OF ACTING MANAGING DIRECTOR**

**DIRECTOR RESOURCES UPDATE**

**SUMMARY**

Further to agenda item no 10 presented to the Board on 28 June 2005 and the key objective 3.2 (Supporting and Developing the Board) within the service improvement plan, this report expands on the proposals that were approved for developing the Board, and to enable it to lead the drive for excellent services throughout the organisation.

**RECOMMENDATIONS**

1. That the Board considers and approves the proposals in section 3 below to provide Directors with better IT support to enable them to carry out their roles effectively.
2. That the Board considers and approves the proposals in section 4 and accepts Kirklees Neighbourhood Housing as our mentors to provide support as necessary.
3. That the Board considers and approves the proposals in section 5 below to start receiving appropriate literature to enable them to gain a better understanding of the activities within the Borough and wider ALMO arena.
4. That the Board considers and approves the proposals in section 6 in relation to amendments to the Directors Expenses manual, to bring it into line with the Councillors' travel and subsistence allowances.
5. That the Board acknowledges the issues outlined in paragraph 6.1 and an options paper be presented to a future Board meeting.

**DETAIL**

**1. Support for the Board**

Further to the work being carried out by Volanti in working alongside the Board to produce a tailored development and training programme for both the Board as a whole and for individual Directors, there are a number of other initiatives that we are seeking the Board to consider.

## **2. Dedicated clerical support for the Board**

The proposed new Support Services structure within Tristar Homes includes a member of Tristar's staff who will be dedicated to solely providing clerical support, producing documents and presentations, filing of reports, organising meetings, and be your point of contact for daily queries. This post will be in addition to the post of Company Secretary who will continue to remain legally responsible.

## **3. Information Technology**

To improve communication with the Board, it is proposed that each Board Director be given suitable computer equipment to be installed in their homes. Appropriate training will be provided in its use and all Directors will need to sign up to the protocol on conditions of use of IT equipment. This protocol will mirror the existing protocol in place for Stockton Borough Councillors.

Each Board Director will be given a Tristar Homes email address and will have access to both our internet and intranet site. This will enable the following resources to be made available :

- Board Papers will be distributed either electronically or in a paper format, as agreed with each individual Director.
- Directors will receive all electronically communications staff receive to keep them abreast of progress being made within Tristar Homes
- An electronic interactive version of the Directors' Resource Manual will be made available
- A series of electronic information bulletins will be published monthly.

## **4. ALMO mentoring**

In addition to the training and development provided by Volanti, Kirklees ALMO (they have recently been awarded three stars) have agreed to act as our mentors. A detailed programme of working alongside the directors of Kirklees is being developed and will include the following :

- Visits to Kirklees to attend Board and Committee meetings
- Tailored individual development programmes that link into the development work being carried out by Volanti.
- A nominated buddy, who is currently a director of Kirklees Housing, to provide support, advice and guidance as necessary.

## **5. Other Resources**

In line with the feedback received through Volanti, each Director will receive their own copy of

- Inside Housing
- Tristar News (residents' newsletter)
- Stockton News
- Tristar Tribune (staff newsletter).

## **6. Directors' Expenses and Allowances**

I have attached at appendix A proposed revisions to the current Directors' expenses manual for your consideration. These proposals would bring our expenses manual in line with payments made to councillors for expenses.

6.1 The ODPM has recently produced and circulated a paper dealing with the sensitive issue of allowances and payments to ALMO Board Directors. A copy of this is attached at Appendix B. There is growing difficulty recruiting voluntary directors at a time when expectations of effort, time and of course responsibility are increasing. Below is an extract from the paper.

The decisions to consider as highlighted in the paper are as follows :

1. Before deciding whether to pay their board members, ALMOs should consider in consultation with the local authority whether payment is the best way of addressing the issues identified above, or if there are other measures which may also be effective in leading to improved board performance.
2. The ALMO should also ensure that its existing systems for recruitment and appraisal of board members are robust, transparent and independent. Further advice on this is set out in the ODPM/CHTF "ALMO Governance Resource Pack". The ALMO should also have clear systems in place for assessing performance at least annually, for both the board as a whole and individual members.
3. The ALMO should consider its financial position and the implications that payment of board members would have. The costs of payment should be balanced against the benefits of improved governance. It should also consider the implications for board members, for example those in receipt of benefit or those who are councillors.
4. Tenants and the local authority should be fully involved in these considerations. The local authority must be formally consulted and its agreement obtained before payments to ALMO board members can be made.

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### **Financial Implications**

The costs associated with this paper have been built into next year's budget.

### **Community Safety Implications**

None directly from this report

### **Consultation**

Any recommendations approved within this paper will need to be consulted on with our shareholder, the Council and other stakeholders as appropriate.

### **Risk Impact**

The recommendations in this report are part of the service improvement plan, and are fundamental to the success of the plan, particularly key objective 3.2 (supporting and developing the board). If we do not consider these recommendations there is a risk of the service improvement plan not being met.

### **Impact on Other Policies and Strategies**

The relevant policies and sections within the directors' resource pack will be updated when any of the changes within this paper are approved.

## ODPM GUIDANCE ON PAYMENT OF ALMO BOARD MEMBERS

### Background

1. When ALMOs were first introduced, the way that their boards were set up was very closely based on the arrangements for the boards of Registered Social Landlords (RSLs). This meant that in line with the regime that applied for members of RSL boards at that time, ALMO board members could receive expenses, but could not be paid.
2. Since then, following consultation, the Housing Corporation has given RSLs the option of paying board members and has issued a Good Practice Note (Housing Corporation Regulatory Code Good Practice Note 5: "Board Member Remuneration" - June 2003)<sup>1</sup> setting out the arrangements. This enables RSLs to pay their board members in recognition of the increased time commitment and responsibilities now involved in carrying out this role, as well as to address problems with recruitment, high turnover, retention and board performance. Payment may be made up to a maximum of £20,000 per year, based on the complexity and size of the organisation.
3. As set out in the ALMO Guidance published in October 2004, Ministers have agreed that ALMOs should be given the same opportunity as RSLs to pay their board members. Although there has been no great demand from ALMOs wanting to start paying their members, nor substantial take-up of the new arrangements by RSLs, it is considered appropriate to keep ALMOs in line with RSLs and allow them to operate on the same terms. This means that ALMOs can now also make payments to their board members in the interests of improving governance.
4. This Guidance gives ALMOs the opportunity to pay their board members from the current financial year, 2005/06 (although in practice ALMOs will need some time to develop and consult on their proposals and prepare a proper business case). The following sections, which are largely based on the Housing Corporation's Good Practice Note for RSLs, set out the circumstances under which payment may be appropriate and the issues for ALMOs to consider when deciding whether to introduce payments.
5. It may also be helpful for ALMOs to refer to the National Housing Federation's publication "To pay or not to pay" (July 2003)<sup>2</sup> which looks at the principles and practicalities of board member payment and, if appropriate, the Charity Commission's guidance on "Payment of Charity Trustees" (CC11)<sup>3</sup>. In addition, the Housing Corporation's report "Board payment: the first year" (Sector Study 36, November 2004)<sup>4</sup> provides a useful analysis of the take-up of board member payments. ALMOs should also have regard to the "ALMO Governance Resource Pack" published by ODPM/CHTF in August 2004<sup>5</sup>.
6. The payment of board members is not a decision to be undertaken lightly. Any proposals will need to be backed up by robust justification and analysis and must have the support of the local authority, not least because board payments will be funded from the management fee paid to the ALMO by the local authority.

### When payment might be appropriate

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1

<http://www.housingcorplibrary.org.uk/housingcorp.nsf/AllDocuments/D327706142A2A00680256D5700428AB2>

<sup>2</sup> <http://www.housing.org.uk/prodserv/booklist.asp?ptype=Govern>

<sup>3</sup> <http://www.charity-commission.gov.uk/publications/cc11.asp>

<sup>4</sup>

<http://www.housingcorplibrary.org.uk/housingcorp.nsf/AllDocuments/5F4A56FC8F483C3280256F5B00436497>

<sup>5</sup> available from ODPM on request

7. The key consideration should be whether payment of board members will lead to improved governance. A clear desired outcome should be identified, which can be defined and measured, to justify payments.
8. It may be appropriate to consider payment to address the following issues:
  - Performance
    - \* Payment may be considered as one of a number of measures to tackle poor performance, although payment on its own is unlikely to result in better governance. Other measures to improve board performance may include training, setting objectives, performance contracts, fixed term appointments and mandatory appraisal.
  - Recruitment and retention
    - \* Where there are difficulties retaining good board members, or concerns that retention or recruitment may be an issue in the future, the ALMO should consider how payment would help address this issue. If recruitment is a problem, the ALMO should consider whether there is anything else it could do to advertise more widely, use recruitment consultants etc.
  - Skills
    - \* Payment could be used to address problems with the composition of the board. The board should reflect the communities served by the ALMO and possess the necessary range of skills and knowledge to carry out its duties most effectively. If this is an issue, the ALMO should consider how payment might attract a more diverse or better qualified board. Other measures may include addressing the issue when recruiting new board members, or having existing board members undertake additional training.
  - Reward
    - \* The ALMO may wish to reward its board members for their commitment and hard work. This may be justified in the context of continuous improvement and making the board more professional and accountable. Such payments should not, however, be awarded retrospectively. The ALMO should also consider whether there is any danger that payment could undermine the integrity of the board. Alternatively, ALMOs could consider rewarding high performing boards through non-pecuniary means, subject to the usual rules on gifts etc, which may be more appropriate in some circumstances.
9. It may not always be appropriate to pay all of the board members. In some circumstances, payment of the chair only may be appropriate. However, careful consideration should be given to issues of equality and whether there are board members other than the chair who also have special responsibilities or additional workloads. The impact of future potential changes in personnel, for example a change of chair, should also be taken into account when developing proposals.
10. Board members who are already paid for their ALMO duties by their nominating organisations should not normally receive payment from the ALMO as well. For example, if a councillor receives a special responsibility allowance from the council for their work on the ALMO board under the Local Authorities (Members' Allowances) (England) Regulations 2003, that should be taken into account before any payment is awarded by the ALMO.
11. That said, council representatives on the board should not be treated significantly differently from the other board members. Although initially nominated by the council, once appointed to the board, a member is representing the interests of the ALMO board rather than the council. Any payment should therefore reflect this by coming from the ALMO rather than the council.

12. The Local Authorities (Companies) Order 1995 places restrictions on the level of payments to councillors who sit on boards of local authority controlled companies. Under the Order, councillors cannot be paid more by the company than they would receive from the local authority for carrying out comparable duties. The ALMO would therefore need to consider the position of board members who are councillors separately to ensure that any payments were in line with this.
13. It is the individual member's responsibility to ensure that the receipt of payment from the ALMO does not mean that they are in breach of the terms of any other allowances they may be receiving.
14. Another important consideration is the effect that payment may have for board members on low incomes in receipt of benefit. Any payment received may affect their benefit entitlement. RSL experience is that the offer of payment, even if it is refused, can have implications for benefits, because this can be seen as the recipient effectively refusing "paid" work.
15. Again, ALMO board members should be clear about their individual liabilities.

#### What to consider before making the decision

16. Before deciding whether to pay their board members, ALMOs should consider in consultation with the local authority whether payment is the best way of addressing the issues identified above, or if there are other measures which may also be effective in leading to improved board performance.
17. The ALMO should also ensure that its existing systems for recruitment and appraisal of board members are robust, transparent and independent. Further advice on this is set out in the ODPM/CHTF "ALMO Governance Resource Pack". The ALMO should also have clear systems in place for assessing performance at least annually, for both the board as a whole and individual members.
18. The ALMO should consider its financial position and the implications that payment of board members would have. The costs of payment should be balanced against the benefits of improved governance. It should also consider the implications for board members, for example those in receipt of benefit or those who are councillors.
19. Tenants and the local authority should be fully involved in these considerations. The local authority must be formally consulted and its agreement obtained before payments to ALMO board members can be made.

#### Method of payment

20. Methods of payment may include an annual fee or honorarium or an hourly rate. We would not expect ALMOs to pay a pensionable salary to board members.
21. When deciding how to make payments, ALMOs should consider whether the method is fair, for example whether it would discriminate against the low paid or unemployed, whose benefits may be affected, the costs to the ALMO/local authority and the experience of other similar organisations and administrative simplicity. Before accepting payments, board members in receipt of benefits may need to consider whether they would face difficulties claiming benefits again after a board appointment has ended. Such members should always be advised to seek independent advice on the implications for them personally and for any members of their household before accepting payment.

#### How much to pay

22. The regime for the payment of ALMO board members is based on the arrangements for RSLs. Paragraph 3 of Schedule 1 to the Housing Act 1996 enables the Housing Corporation to specify the maximum amounts which may be paid to board members of RSLs that are industrial and provident societies or Companies Act companies. Up until June 2003, the limit for payments other than reasonable out-of-pocket expenses was £50. Following consultation, the Housing Corporation issued a specification in June 2003 under Schedule 1 to the Housing Act 1996, raising the upper limit that may be paid from £50 to £20,000.
23. Although the new maximum payment is £20,000 it was envisaged that this amount would only be appropriate in a very small number of cases, for the chairs of particularly large and complex organisations.
24. The ALMO Template Documentation sets out that ALMO board members can be reimbursed for any "reasonable out-of-pocket expenses" and "such other sums.... provided that no sum shall be paid to a board member in excess of that which would be permitted to be paid to a board member of a social landlord registered under the Housing Act 1996".
25. This gives ALMOs the flexibility to pay their board members up to the same limits as RSLs. Although we would encourage ALMOs to seek their own advice on their legal position, it appears that ALMOs wishing to pay their members should be able to do so under the terms of the model constitution.
26. In considering how much to pay their members, ALMOs should recognise that the figure of £20,000 is very much an upper limit, and we would only expect to see such sums paid in exceptional circumstances. It will, however, be up to the individual ALMO, in consultation with the local authority, to decide how much to pay.
27. The Housing Corporation's analysis ("Board Payment: the first year" Sector Study 36 November 2004) has found that where payments are being made, the majority of chairs receive between £7,000 and £10,000 per year. Members are typically paid around 40% of the sum paid to the chair - in most cases between £3,000 and £5,000. Chairs of smaller RSLs receive between £3,500 and £7,000, with members being paid £2,000 to £3,000.
28. New Deal for Communities (NDC) partnerships are able to pay their board members so long as this does not increase their expenditure on management and administration to more than 10% of their overall budget. The NDC Board Member Guidance quotes two examples of partnerships which are paying their board members. One pays its members an "honorarium" of £1,300 per year. The other pays £1,500 per year, with the Chair and Vice Chair receiving an additional £500.
29. Factors to take into account when deciding the level of payments should include the overall cost to the ALMO in proportion to its turnover and the amounts paid to individual board members.
30. When considering the overall cost to the ALMO, the issues to be taken into account should include:
  - \* whether that proportion of turnover is reasonable to spend on payments to the governing body
  - \* whether the total amount is justified in terms of cost per tenant or per unit.
  - \* whether the amount to be spent would affect the ALMO's ability to deliver services to tenants
  - \* the impact the payments would have on the ALMO's other obligations
  - \* whether the expected improvements in governance justify the expenditure on board member payments.
31. When considering the amounts to be paid to individual members, ALMOs should consider:

- \* the time the member is expected to spend on ALMO duties
  - \* the level of responsibility assumed
  - \* the size and complexity of the ALMO and the difficulty of the job
  - \* amounts (if any) paid by neighbouring ALMOs
  - \* amounts paid to board members of similar public sector or voluntary organisations.
32. In considering whether the chair and/or deputy should be paid more than the other board members the ALMO would need to consider:
- \* how much extra time these individuals spend on ALMO board duties compared with other members.
  - \* how much additional responsibility they assume
  - \* how much chairs and deputies of similar public sector or charitable organisations are paid.
33. Some smaller ALMOs may decide that they cannot afford to pay the whole board, but may wish, for example, to have a paid chair. They will still need to consider the issues outlined above.
34. ALMOs should also consider how and when payments should be reviewed.

#### ODPM requirements

35. The ODPM does not require ALMOs to seek specific approval to introduce board member payments, but needs to keep a record of the ALMOs that are paying their members, the reasons for this and the amounts offered. ALMOs should therefore notify ODPM of their intention and the reasons for introducing payments before they commence paying any board members. They should demonstrate that they have followed this guidance in making their decision, setting out how payment would improve the quality of the ALMO's governance and how they will meet the additional cost.
36. They should also demonstrate that tenants, the local authority and other stakeholders have been consulted and set out whether they support the decision, providing copies of any reports or consultation documents which the ALMO has prepared setting out the case for payment. As set out above, the local authority must agree to the proposals before payments can be made.

#### Monitoring the impact

37. ALMOs should monitor the impact of board member payments so that they can clearly demonstrate the difference that the introduction of payments has made. This will involve identifying the areas where improvement is expected and monitoring the effect that payment has had. In the interest of sharing good practice, ALMOs should copy monitoring reports to ODPM.

#### Contact details

38. Any queries on this Guidance, or notifications of intention to commence payments to ALMO board members should be sent to Julia Gristwood, Decent Homes Division, ODPM, 2/J4 Eland House, Bressenden Place, London SW1E 5DU, email: [julia.gristwood@odpm.gsi.gov.uk](mailto:julia.gristwood@odpm.gsi.gov.uk).

ODPM/Decent Homes Division  
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