

## Board 8 December 2009

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### Board Member Payment

Report by the Chair

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#### For Decision

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#### 1. Background information

- 1.1 In January 2009 Board agreed in principle that board members should be paid and that the amount of remuneration should be determined by an independent remuneration panel.
- 1.2 In consultation with Newcastle City Council, it was agreed that the Council's Independent Remuneration Panel would be the appropriate panel to consider board member payment particularly in view of their past experience in dealing with such matters on behalf of the City Council.
- 1.3 The Independent Remuneration Panel met with board members, the Chief Executive and myself. The Panel also met with representatives of the Newcastle Tenant Federation and took account of representations received from tenants as a result of our consultation on board member payment. The Panel's report is attached at Appendix One. The Chair of the Panel will be present at the meeting on 8 December to answer any questions related to the report. The recommendations of the Panel are:
- the introduction of a basic allowance of £2,000 per annum for board members;
  - an additional special responsibility allowance of £1,000 per annum for Chairs of Committees to reflect their extra duties – making their total allowance £3,000 per annum;
  - an additional special responsibility allowance of £2,000 per annum for the Board Vice Chairs to reflect their wider role and level of responsibility – making their total allowance £4,000 per annum.

The Panel also recommended that in each case any board member undertaking more than one special responsibility would be paid the additional allowance at 50%.

## **2. Payment Issues**

### **2.1 Level of Remuneration**

I have discussed the recommendations of the Panel with the Vice Chairs and with the Chairs of Committees and they agree with me that the basic allowance for board members is a satisfactory level of remuneration.

However, in discussing the roles and responsibilities of the Vice Chairs and Chairs there is agreement that the roles and level of responsibility of these positions are alike and therefore I propose that there should be one additional special responsibility allowance of £1,000.

In reaching this recommendation, I have taken into account that Chairs of Committees put in an amount of time over and above that required to attend meetings, with Chairs meeting regularly with Committee Lead Officers. Vice Chairs have a similar workload in that they are required to attend meetings with myself, the Chief Executive and Management Team and can be asked to represent YHN and deputise for me in my absence.

### **2.2 Payment**

Payment will be made on a monthly basis. The Panel has recommended that payment should be back dated to the Annual General Meeting held on September 2009, although Board might want to consider whether payment should take effect from 1 April 2009.

In the event that Board decides that payment should be backdated to September 2009, board members should note that payment will incur National Insurance contributions, as the lump sum payment will be above the NI threshold.

In addition, I suggest that the Independent Remuneration Panel is asked to review each year whether the board member allowance should be increased in line with the cost of living pay award that applies to staff on NJC conditions. This would be in line with the City Council policy on Members' Allowances.

### **2.3 Tax implications**

It is the individual's responsibility to seek advice about their own tax situation and any board members who are in receipt of benefits should seek advice as to how payment will affect them.

Payment will be made through the YHN payroll and board members will be issued with a form that they will need to complete to make sure that Payroll has the right information to determine whether or not tax should be deducted.

### **2.4 Contract for Services**

It is normal when payment is made for there to be some form of contractual arrangement to indicate what the payment is in return for. Where other ALMOs have implemented payment, some have introduced a contract for services. This

was the case when YHN decided to pay the chair and a contract for services was introduced for me. I suggest it is appropriate that board members enter into a contract for services that will set out what the payment is for.

**2.5 Allowance Policy**

Board Members are currently entitled to be reimbursed for a range of expenses incurred as a result of conducting official business on behalf of YHN. In introducing a scheme of allowances for board members an Allowance Policy will be drawn up so there is clarity about what board members can expect to be paid and what they can claim for.

**3. The Options for Board Member Payment**

Having agreed the principle of board member payment and having considered the recommendations of the Panel, Board could consider the following options:

Option 1	Option 2	Option 3
Basic allowance of £2,000 pa for all board members	Basic allowance of £2,000 pa plus An additional allowance of £2,000 pa for Board Vice Chairs An additional allowance of £1,000 pa for Chairs of Committees	Basic allowance of £2,000 pa plus An additional allowance of £1,000 pa for Board Vice Chairs and Chairs of Committees

Because Vice Chairs and Chairs of Committees do have additional responsibilities, I recommend that Option 3 is the preferred option as it recognises the equal status of the roles of Vice Chairs and Chairs of Committees.

Our recommendation on the level of remuneration will be forwarded to NCC's Executive for confirmation.

**4. The Business Implications**

The work of the Board contributes to all of our strategic objectives. It is the Board's responsibility to provide strategic direction and it is expected that payment will create a framework to make sure that Board performs effectively.

Payment of board member allowances will be an additional cost to the organisation that will have to be met from existing resources. There is a risk associated with this in that the funds needed to pay board members could be better spent on services for tenants.

It is anticipated that payment will attract people with skills and knowledge who might not otherwise be attracted to becoming a board member. However, there is a possibility that payment might discourage some tenants and leaseholders from putting themselves forward for board membership.

Board members will be more accountable to tenants and leaseholders and there will be also be raised expectations about responsibilities and attendance and participation at meetings.

In reaching their conclusion, the Panel considered the comments of the Chair, Board Members, Chief Executive, Tenants, and the Newcastle Tenants Federation.

## **5. Conclusion and recommendations**

Having considered the Remuneration Panel's report, I am asking Board to agree:

- the introduction of a basic allowance of £2, 000 per annum for all board members;
- the introduction of an additional special responsibility allowance of £1,000 per annum for the Board Vice Chairs and Chairs of Committees;
- that any board member undertaking more than one special responsibility be paid the additional allowance at 50%;
- when board payment should begin;
- that the Independent Remuneration Panel consider each year whether the allowance should be increased in line with the cost of living award applied to staff on NJC conditions;
- that these recommendations be forwarded to Newcastle City Council's Executive for confirmation;
- that board members enter into a Contract for Services.

## **6. Implementation**

Following approval by Board and confirmation by NCC Executive the following will be put in place:

- Arrangements with Payroll
- Introduction of an Allowance Policy
- Introduction of a Contract for Services

### **Background Papers**

- Board Report and Minutes January 2009

**Contact Officer:**

If you have any questions about this report that you would like clarifying before the meeting, you can contact Maureen Dickson by telephone on 0191 278 8624 or email [maureen.dickson@yhn.org.uk](mailto:maureen.dickson@yhn.org.uk)

**YHN Board**

**8 December 2009**

**Board Member Payment**

**Report by: Newcastle City Council Independent Remuneration Panel**

**Ward Implications: All**

For Decision		
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**1. Synopsis**

1.1 This report sets out the recommendations of the City Council's Independent Remuneration Panel with regard to payment of allowances to the Board Members.

**2. Introduction**

2.1 On 27 January 2009 the Board considered a report by the Chair of the Governance and Personnel Committee which set out the background to the discussions which had taken place over the years considering the potential introduction of payments to members of the Your Homes Newcastle Board. In the light of the views expressed by Board Members on this issue, the Board endorsed the Committee's recommendation that the introduction of payments be approved in principle. The Board recognised that this needed to be subject to external scrutiny and as the Council's Independent Remuneration Panel had an established track record on such matters, rather than appointing a new Panel specifically for the purpose, they were invited to undertake their own review and submit recommendations as to the way forward. This report sets out those recommendations.

**3. Background**

3.1 In undertaking the review, the Panel considered a wide range of background material in order to assess both the workload and time commitments of those serving on the YHN Board but also so that the Panel were aware of wider issues, particularly the policy context and practice elsewhere. Members found particularly helpful the Housing Corporation Good Practice Note and the articles in the "Insight" magazine published in June this year, reporting on Board Member payments and giving tabular information on payments elsewhere, as well as the Chair's report to the 27 January 2009 Board meeting as these summarised the regulatory

requirements as well as the current Board Members' views on whether payments should be introduced.

3.2 The Panel also met the following in order to help them reach a view:

- Steve Murphy, Board Chair
- Margaret O'Callaghan, Tenant Member and Vice-Chair
- George Allison, former Council nominee and Vice-Chair
- Bill Drury, Independent Member and Chair, Governance and Personnel Committee
- John Lee, Chief Executive
- Nicky Stephenson, Newcastle Tenants Federation

#### 4. **General Observations**

4.1 The Panel recognised that YHN played a significant role within the corporate governance of the city, providing a range of essential services to 75,000 Council house tenants and to a significant number of leaseholders. With well over 800 staff, it was also one of the City's main employers. An organisation of this scale required effective leadership and the Panel noted the positive references in the ALMO inspection report to the Board's contribution over the years.

4.2 When ALMOs were first established, national guidance had precluded Board Members being paid other than expenses, reflecting the fact that Board members undertook their role voluntarily. However, the situation has changed and Registered Social Landlords (RSLs) are now able to pay their Board Members an allowance provided that they are satisfied there is a business case. The evidence presented to the Panel indicated that 39% of RSLs now paid their Board Members an allowance although the level varied widely reflecting local circumstances, with some RSLs paying their Chairs more than the other Members. Local circumstances included, for example, the scale of the organisation, size of housing stock, number of staff etc. The Panel were not informed of any cases where Board Members were paid the maximum of £25,000 per annum, in most cases the payment being in the region of £5,000. In line with ODPM guidance, the introduction of payments to ALMO Board Members has largely reflected those already in place for Boards of RSLs.

4.3 In considering the business case, the Panel also took into account the following:-

- As a result of the City Council's most recent review of its members allowances scheme (as reported to Council in March 2009), the one Special Responsibility Allowance per member rule has been amended to allow for members with additional special responsibilities to be paid for those roles at 50% of the agreed rate. However, this provision does not apply to the cases where members represent the Council on other bodies which run their own allowances schemes (examples include the

Northumbria Police Authority and Tyne and Wear Fire and Rescue Service). However, under the Local Authorities (Companies) Order 1995, elected members cannot be paid more by a company than they would have otherwise received from the City Council for undertaking comparable duties. The Panel understand that none of the City Council members of the Board would be caught by this provision.

- The Independent Members, given their professional backgrounds, are able to offer valuable skills and experience and this is reflected in the additional responsibilities which some of them undertake. They clearly carry out the role because they want to be of service to the City's tenants and are not motivated by financial considerations.
- The report following the 2008 inspection had commented that the Board was not representative of the wider community served. It was particularly important to ensure that the City's 75,000 Council tenants had an effective representation. Whilst hitherto relatively few tenants had expressed a willingness to apply to join the Board, it was hoped that the measures now being put in place in terms of more targeted recruitment would have positive results. National guidance as well as the report to the January 2009 Board recognised the potential impact for those in receipt of benefit as entitlement might be reduced whether or not individuals decided to receive an allowance. This was an issue which the Newcastle Tenants Federation and others had raised specifically.
- It was noted that the Board had undertaken their own consultation and this had prompted 2 replies, one from the Newcastle Tenants Federation and the other from an individual tenant.

## 5. **Outcome of Interviews**

5.1 The meetings with the Board Members and Chief Executive followed a standard format. During each session the Panel sought to establish the extent to which respondents considered the introduction of allowances would enhance the governance of the organisation as per the draft business plan and whether additional allowances should be offered to those undertaking special responsibilities. The following summarises the key issues raised:-

- Membership of the Board involved significant time commitments and workloads, particularly given the number of committees on which each member was expected to serve. When one took into account the time spent on preparation as well as attendance plus other duties such as attendance at tenant events and official openings, the average commitment could be in the region of 20 hours per month, but substantially more for those undertaking special responsibilities.
- Wherever possible, meetings took place towards the end of the working day as it was recognised that Board Members had many other commitments.

- Each sector brought a different perspective to the work of the Board and it was essential that the representatives of all three sectors were given appropriate support in order to maximise their contribution. The Panel welcomed initiatives such as the buddy scheme and adjustments to seating plans for individual meetings.
- All Board members were required to undergo a rigorous learning and development programme as well as attending annual appraisals and the Panel noted the positive reference in the Audit Commission's report to the significant number of members who had completed the governance qualification.
- The profile of the Board membership did not reflect the community it served and it was particularly important to broaden and strengthen tenant representation. It was recognised that many tenants may find a formal application process daunting, so the efforts being made to promote dialogue in a range of settings was to be welcomed in the hope that over time, more tenants might gain confidence to try and join the Board itself.
- Several respondents suggested that at 19 the Board membership was too large. The Panel did not wish to offer a view on this, given that this did not relate specifically to allowances, but simply noted that this may be an issue to which YHN may wish to return at some stage in the future in the knowledge that any change would require a formal amendment to the Memorandum and Articles of Association.
- In general, respondents recognised that introducing an allowance might encourage greater interest in joining the Board as well as persuading some existing members to reapply at the end of their term of office. However there was no support for payment of a substantial allowance, the majority of respondents suggesting that this should possibly be no more than £2,000 per annum. Nor was there agreement as to whether an additional sum should be offered to committee chairs or the Board Vice Chairs.

## 6. Conclusion

6.1 The Panel noted that when the former Board Chair decided to retire in 2008, both YHN and the City Council had approved the introduction of a £10k pa allowance for the new postholder in the expectation that this could stimulate further interest from a broad cross section of potential applicants. It would also go some way towards reflecting the significant commitments which the individual took on board.

6.2 The draft business plan was based on a similar set of principles. Although the current members had displayed a most impressive commitment in terms of attendance levels overall and participation at meetings and at the learning and development programme, the Panel felt that perhaps the most direct and immediate benefit of introducing allowances would be experienced in terms of recruitment and retention. All the respondents

had commented that Board membership involved a substantial amount of work and there was bound to be very regular turnover as members' personal circumstances changed. The very fact that no member could serve more than 3 terms simply heightened the pressure. Respondents had commented on the need to broaden the Membership base (an issue raised by the Audit Commission too) as well as helping to retain the skills and experience of serving members. Whilst an allowance would not necessarily be the overriding factor, it could well tip the balance in persuading someone to apply or reapply.

- 6.3 The Panel recognised there was a particular need to attract younger applicants, including those still in employment. They felt that in line with the provision already in place within the City Council's Members Allowances Scheme, the Board may wish to consider introducing some form of Dependants' Carers' Allowance. The Council had introduced this a few years ago and although few elected members had taken up this opportunity, those who had done so had found it very helpful in that it had enabled them to employ someone to look after their children or elderly relatives whilst undertaking public duties. The Members Allowances Scheme set out the criteria and claims procedure, the current rate being set at £5.50 per hour.

6.4 However, the Panel endorsed respondents' views that if an allowance were to be introduced, it should be pitched at an appropriate level. This would recognise the voluntary nature of the role and minimise the overall financial implications bearing in mind that such payments would need to be funded from the management fee. It would also take into account the potential implications for those members receiving state benefits who could well see their entitlement reduce, whether or not they agreed to receive the new allowance. Any payment in kind such as a clothing allowance would have the same impact, as it would have a monetary value, so the Panel felt that if an allowance were to be introduced, it would be simpler to only express it in cash terms.

6.5 The Panel indicated that, if the Board wished, they would be happy to undertake a further review in twelve months time when the workloads arising from the new Committee structure should be known.

## 7. **Recommendations**

7.1 The Board are recommended to

1. Consider

- (i) introducing a basic allowance for members of the Board of £2,000 per annum
- (ii) following the approach already in place within the City Council, that in view of their extra duties, Chairs of Committees be paid an additional allowance of £1,000 (i.e. £3,000 p.a.)
- (iii) reflecting their wider role and level of responsibilities, that Board Vice Chairs be paid an additional allowance of £2,000 (i.e. £4,000 pa),

in each case, payment to be backdated to the annual meeting held on 22 September 2009.

- 2. Again, in line with City Council policy, any member undertaking more than one special responsibility be paid the additional allowance at 50%.
- 3. If the Board is minded to endorse the recommendations, to forward this report to the City Council's Executive for confirmation.

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