

A Code of Governance for For-Profit Registered Providers of Social Housing



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Part 1: Introduction

This Code establishes a set of standards which embody and aim to promote good governance practice in the for-profit registered provider of social housing (FPRP) sector in England. The sector plays a valuable and increasingly significant role in the provision of affordable housing, and the BPF's members recognise the importance of good governance in safeguarding the interests of shareholders, customers and other stakeholders, and in protecting the reputation of the sector.

The Code does not stand in isolation, but should be understood in the context of the legal and regulatory framework within which FPRPs operate, alongside other good practice standards that they may wish to adopt. From this contextual framework, there arises an underpinning expectation that each Board will act in the best interests of the FPRP, and the Code explains how this translates into good governance practice.

The Code has been drawn up with reference to existing codes of governance which have relevance to the sector, and in particular the UK Corporate Governance Code and the NHF Code of Governance, to both of which its authors naturally owe a debt of gratitude. It is felt, however, that there is merit in the FPRP sector adopting a Code more precisely tailored to its particular characteristics and circumstances.

The Code is structured around seven themes as follows:

1. Leadership and strategy
2. Culture and values
3. Board composition and effectiveness
4. Board roles and functions
5. Delegation of delivery
6. Integrity and probity
7. Audit and risk

Under each theme is a set of principles, amplified by more detailed expectations. In line with the approach of 'comply or explain', those adopting the Code should comply with the expectations or provide a reasoned explanation of why they have chosen to adopt alternative arrangements.

The FPRP sector comprises organisations with a diverse range of characteristics, and there is no single blueprint for an FPRP. The Code is designed such that it can be adopted by a range of types and size of organisation, and with an acknowledgement that some expectations may reasonably be applied more flexibly by small providers. It is recognised, however, that some very small providers may find another code (such as ecoDa's Corporate Governance Guidance and Principles for Unlisted Companies in Europe) more proportionate.

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Part 2: Glossary

Customer

Tenant or resident who lives in a home or accesses services provided by an FPRP.

Executive director

Board member who holds an executive role, on either an employed or contracted basis, within either the FPRP or any member of a group of which the FPRP is part.

Independent non-executive director

The Code understands independence to be subject to the considerations set out in provision 10 of the FRC's UK Corporate Governance Code (current and 2024 editions).

Group member

Any entity which sits within the same group structure as the FPRP.

Stakeholder

Any person or entity with a significant and legitimate interest in what the FPRP achieves and how it performs.

Part 3: The Code

1. Leadership and Strategy

Principle A: the board¹ establishes and promotes the RP's purpose and strategy.

- a. The board understands the ambition and expectations of its shareholder(s) for the RP.
- b. The board establishes and articulates the strategy for the RP.
- c. The board appraises the effectiveness of its relationship with the shareholder(s) on a regular basis.
- d. The RP may be part of a group structure. If this is the case, the board understands its relationships with other entities within the structure, and conducts an annual appraisal of the effectiveness and the appropriateness of these on a regular basis.
- e. In its actions and decision-making, the board takes into account the importance of maintaining stakeholder trust in the RP, and upholding its and the affordable housing sector's reputations.
- f. The board recognises its responsibility for ensuring the RP meets the regulatory standards set by the Regulator of Social Housing and the health and safety requirements under applicable legislation.
- g. The board acts in the RP's best interests.

Principle B: the board exerts appropriate control over decisions relating to the RP.

- a. The board has the authority to exercise appropriate control over decisions about:
 - ii. Resourcing the delivery of its strategy, including business plan and budgets;
 - iii. Relevant land and property acquisitions and disposals;
 - iv. The supply of services to and on behalf of the RP (including corporate, housing management and property management services), whether these are delivered directly by the RP or through a contract between the RP and a third party.

Principle C: the board embeds sustainability in its plans for the RP.

- a. The board establishes financially sustainable plans for the RP, ensuring adequate resources to maintain viability and execute its strategy.
- b. The board ensures that the RP has access to sufficient capital and liquidity at all times.
- c. In its deliberations and decision-making the board:
 - i. Reflects its agreed approach to value for money;
 - ii. Considers environmental, social and governance (ESG) implications.
- d. Before determining dividends, the board takes due account of the RP's future repair, maintenance and other liabilities and the potential effects of the RP's business plan as a whole.

¹ All references to 'board' refer to the board of the RP unless otherwise specified.

2. Culture and Values

Principle A: the board satisfies itself that the RP's culture aligns with its purpose, values and strategy.

- a. The board establishes the values of the RP.
- b. The board leads by example, demonstrating its values and promoting the desired culture.
- c. The board seeks regular assurance that its desired culture and behaviours are being enacted in alignment with its purpose, values and strategy.
- d. If staffing or services are outsourced, the board acquires assurance that the culture, operations and systems of the providers concerned align with its purpose, values and strategy.

Principle B: the safety of the RP's current and future residents is a critical priority for the board.

- a. The board understands and considers how it meets its responsibilities for building safety and safeguarding.
- b. There are policies in place which reflect that the safety of residents, workforce and the wider public is an overriding priority, and the board regularly seeks assurance on their operation.

Principle C: the board ensures that there are appropriate mechanisms in place to engage and build effective relationships with residents and other key stakeholders.

- a. The board ensures effective engagement with and encourages appropriate participation from the RP's shareholder(s).
- b. The chair ensures that the board as a whole has a clear understanding of the views of the shareholder(s).
- c. The board ensures there are open channels of communication with residents to inform its work and decisions, and demonstrates this in how it governs.
- d. The board receives training and information to enable it to understand the wider stakeholder landscape within which the RP operates and has a strategy for managing important relationships.

Principle D: the board demonstrates a clear and active commitment to equality, diversity and inclusion.

- a. The board analyses and can define how equality, diversity and inclusion are important for the organisation and the delivery of its aims.
- b. The board's commitments to equality, diversity and inclusion in relation to both its workforce, and its current and potential residents, are documented and regularly reviewed.
- c. The board sets priorities and objectives for the RP to achieve in relation to equality, diversity and inclusion and tracks progress towards achieving these.

3. Board Composition and Effectiveness

Principle A: the board is of an effective size, with the skills, diverse characteristics and time necessary to govern well.

- a. The organisation determines, documents and regularly reviews the board composition to ensure it is best suited to its needs.
- b. The board has between five and 12 members, including any co-optees and executive board members.
- c. Independent non-executive directors form a majority on the board and in the quorum for a board meeting.
- d. There is a thorough assessment annually of the collective skills of the board and a plan is maintained to address any gaps through recruitment, co-option or training, which takes account of the need for relevant strategic expertise in the functions of the organisation.
- e. The membership of the board and any committees comprises people with diverse backgrounds and attributes.
- f. Board members make available the time necessary to govern well, including preparing for and attending meetings as required.

Principle B: appointments to the board are subject to a formal, rigorous and transparent process.

- a. Prospective independent non-executive directors and committee members undergo a transparent and merit-based assessment process to establish their suitability.
- b. The board generally employs public advertising and/or external search by a suitably qualified specialist agency in appointing a chair and independent non-executive directors.
- c. The organisation annually publishes information about the appointment of new board members and the skills profile of the Board.

Principle C: board member performance, development and succession are managed so as to promote effective governance.

- a. All new board and committee members receive a full induction that addresses all material areas of the RP's structure, finances and operations, and the regulatory environment.
- b. Where an independent non-executive director is at the end of a term of office and is eligible for reappointment, this is subject to considering the director's performance and skills together with the needs of the board.
- c. Maximum tenure² for independent non-executive directors will normally be up to six consecutive years (typically comprising two terms of office).
- d. Where a non-executive director has served six years, and the board agrees that it is in the RP's best interests, their tenure may be extended on a year-by-year basis up to a maximum of nine years.
- e. An independent non-executive director who has left the board is not re-appointed for at least three years.

² For the purposes of calculating tenure, office held across all of the organisation's boards and committees, and those of predecessor organisations, as well as service as a co-optee, is to be included.

- f. A documented appraisal process for the individual members of the board and its committees, including all chairs, is carried out at least every two years.
- g. There is an appropriate process for responding to under-performance by individual board members, and to any conduct which may breach relevant policies or codes.
- h. There is a process through which the board has the ability to remove a non-executive member whom it has appointed, whether chair or board or committee member, where this is determined to be in the best interests of the RP.
- i. The board and its individual members are provided with training and development opportunities which meet their needs.
- j. The board has a strategy for its own renewal which is based on an agreed statement of the skills, qualifications, and diverse attributes required.

Principle D: the board and committees conduct their business efficiently and well.

- a. The board has access to good quality governance advice and support.
- b. Board and committee meetings are quorate.
- c. Agendas and documents are circulated well in advance of meetings and proceedings and decisions are recorded in minutes.
- d. Urgent decisions between board meetings are taken in accordance with predetermined and formally recorded arrangements.
- e. There is a policy and procedure setting out how disputes and grievances involving members of the board can be raised and how they are responded to.
- f. All boards and committees consider their effectiveness annually and assess the competence with which they conduct their business.
- g. An independent review of the RP's governance is commissioned by the board at least every three years.

Principle E: remuneration for NEDs is objectively and transparently set.

- a. The board establishes an objective mechanism for setting payment for non-executive directors.
- b. Levels of remuneration for the chair and non-executive directors reflect the time commitment and responsibilities of the roles, and take reasonable account of the scale of the organisation and its business and growth plans.
- c. In setting levels of remuneration, due regard is given to the purpose and mission of the RP and its reputation.

4. Board Roles and Functions

Principle A: there are arrangements for effective leadership of the board and clarity about roles and responsibilities within the governance structure.

- a. The roles and responsibilities of the board, its individual members and office holders are clearly set out.
- b. Formal terms of engagement are in place for all non-executive directors, with a clear statement of the expectations placed upon them as directors.
- c. The board elects or appoints an independent, non-executive chair with appropriate skills to lead the board and ensure its effectiveness.
- d. The Board appoints one of the independent non-executive directors to be the senior independent director (SID), to provide a sounding board for the chair and serve as an intermediary for other directors and shareholders.
- e. The responsibilities of the SID include conducting the chair's appraisal annually on behalf of the board, taking account of feedback from board members.
- f. Where there are directors who are executives, who are appointed by the shareholder(s), or who are themselves shareholders, the board agrees and documents the role they play on the board and any committees, and makes clear those matters for which they must leave the meeting, or not participate in debate or decision making.
- g. The roles of chair of the board and standing committees, SID and vice chair (as applicable) are not held by an executive.

Principle B: there is a record of the functions of the Board, including those matters which are reserved for board decision and cannot be delegated.

- a. Matters reserved for the board include, in addition to matters set out in law, statute, the regulatory standards set by the Regulator of Social Housing and the RP's constitution:
 - i. Setting and ensuring compliance with the values, vision, mission and strategic objectives of the RP, promoting its long-term success;
 - ii. Promoting a culture which is positive, focused on the needs of residents and other key stakeholders, takes account of the views of residents and stakeholders, and affords appropriate priority to equality, diversity and inclusion;
 - iii. Ensuring the RP operates effectively, efficiently and economically, and demonstrates appropriate transparency;
 - iv. Making appropriate arrangements for delegation of delivery of the strategy and operations, and holding to account those tasked with this;
 - v. Satisfying itself as to the integrity of financial information, and setting and approving each year's budget, business plan and annual accounts prior to publication;
 - vi. Establishing and overseeing control and risk management frameworks in order to safeguard the assets, compliance and reputation of the RP;
 - vii. Holding to account any subsidiary boards and committees for the exercise of powers delegated to them.

Principle C: committees are established where the board determines that they will enable it to exercise more effective scrutiny, control or oversight of particular areas of the RP's activity.

- a. Each committee has formally recorded terms of reference approved by the board, and reports regularly to the board on its work and the exercise of any delegated authority.
- b. The membership of committees is determined on the basis of the skills, attributes and diverse characteristics which the board determines are appropriate and:
 - i. The chair of the board does not chair and is not a member of the committee responsible for audit, nor does the chair of the board chair any committee responsible for remuneration;
 - ii. Executive directors are not members of any committees responsible for nominations, remuneration or audit;
 - iii. The chair of the audit committee is a member of and reports regularly to the board;
 - iv. Membership of the audit committee includes at least one person with recent and relevant financial experience which is proportionate to the size and complexity of the RP.
- c. Where the RP delegates to a committee which serves a wider function within a group structure:
 - i. The board regularly reviews whether it is best served by this arrangement, including considering the potential for conflicts of interest and conflicts of loyalty;
 - ii. There is at least one member of the RP's Board included in the committee's membership and its quorum;
 - iii. The precise role and remit of the committee in relation to the RP is clearly documented within its terms of reference.

5. Delivery of Strategy and Service

Principle A: there are well-articulated arrangements in place to facilitate operational delivery of the RP's strategy, over which the board is able to exert appropriate control.

- a. The board delegates the operational delivery of its strategy and the day-to-day running of the RP to a designated executive lead (whether employed directly or through a third party) and:
 - i. There is a clear description of the role and responsibilities of the executive lead in relation to the RP, and the extent of their delegated authority;
 - ii. The RP is able to effectively hold their executive lead to account for their performance;
 - iii. There is a formal process, in which the board chair is involved, for annual appraisal of the executive lead specifically in the context of their role in relation to the RP, and this forms part of annual contract performance review if the role forms part of wider contractual agreements;
 - iv. If the executive lead is supplied via a third party, the board of the RP is involved in decision-making about their recruitment or selection.
- b. Arrangements are established which ensure that adequately skilled and qualified personnel are available to deliver the organisation's strategy and operations.
- c. Where the RP directly employs executive staff, the board, either directly or via a remuneration committee, is responsible for determining their remuneration, and for ensuring that such remuneration at levels that are proportionate to the organisation's size, complexity, level of risk, and resources, in the context of the marketplace.
- d. Where executive staff are supplied by another entity within the RP's group structure, the board is able to contribute its view on their remuneration, and on whether this represents value for money in the context of the marketplace.

Principle B: The board ensures that homes and services provided by or on behalf of the RP are of a high quality.

- a. The board agrees standards for service delivery and monitors the achievement of these, with periodic formal review of its management arrangements.
- b. Service delivery performance is benchmarked using appropriate comparisons.
- c. The board understands the value for money provided by service delivery arrangements.
- d. The board ensures that the RP has sufficient data to understand the condition of its homes and maintain them to a good standard.
- e. In monitoring performance and standards, and in taking decisions about the nature and quality of service delivery, the board takes account of a range of sources of assurance including feedback from residents.
- f. The board has mechanisms in place to enable it to address under-performance and uses these effectively.
- g. Where the RP's residents are served by managing agents, the RP takes every reasonable measure possible to ensure that services provided are compliant with regulatory standards and statutory requirements and of a high quality.

Principle C: the board exercises demonstrable and robust oversight of the organisation's performance.

- a. The board exercises active and regular oversight of the delivery of its strategies and plans and of performance against compliance measures.
- b. The board obtains assurance that the reports it receives provide an accurate picture of performance.

6. Integrity and Probity

Principle A: The board, its members and the organisation maintain high standards of probity and conduct.

- a. The board adopts a formal code of conduct to which all its members adhere.
- b. The board identifies and appropriately manages conflicts of interest, including those resulting from significant shareholdings, and ensures that the influence of third parties does not compromise or override the board's independent judgement.
- c. The board has clear policies and procedures which support its members to identify, declare, record and manage any actual, potential and perceived conflicts of interest.
- d. The board recognises, records, understands and has processes in place to manage conflicts of loyalty which do not amount to conflicts of interest.

Principle B: the board operates openly and transparently.

- a. The RP publishes clear and up-to-date information about its board members, committees and governance, including the role of shareholders in its governance.
- b. The board ensures that there is effective and responsive consultation and engagement with residents on all material matters, and reports regularly to residents on how it has taken into account the results of this consultation.

Principle C: the board ensures that there are clear and well-publicised arrangements to enable whistleblowing and protect whistleblowers.

- a. The board ensures that appropriate whistleblowing policies and procedures are in place.
- b. The board (or an appropriate committee) receives an account of matters raised under these policies, and actions taken in response.
- c. If a board member has concerns about the board or the organisation that cannot be resolved, these concerns are shared with the board and formally recorded.

Principle D: the RP publishes information about its compliance with this code.

- a. A compliance statement is published within the RP's annual report, and an explanation given for any non-compliance accompanied by summary plans for achievement of compliance, if applicable.

7. Audit and Risk

Principle A: the board ensures that formal and transparent policies and procedures are in place to ensure the independence and effectiveness of internal and external audit functions and to satisfy itself of the integrity of financial and narrative statements.

- a. The board establishes an (or draws on an existing) audit committee to monitor the integrity of the RP's financial statements and provide assurance in relation to internal control and risk management systems.
- b. The responsibilities of the audit committee include ensuring that, specifically in relation to the RP:
 - i. The board can have confidence in the information it receives;
 - ii. There are arrangements for effective internal control assurance and audit functions;
 - iii. Financial statements are prepared in accordance with requirements and present a fair, balanced and understandable picture of the RP's position and performance;
 - iv. The RP's external auditors are independent and effective, and their appointment is reviewed at least every six years;
 - v. There is at least annually a meeting with the external auditors with only non-executive directors present.
- c. Where the RP has its own audit committee, this has a minimum membership of three, or in the case of smaller companies, two³. The membership takes account of provisions of section 4.C.b of this code.
- d. The RP's annual report describes how audit matters are addressed, whether this is through its own audit committee or through an audit committee that sits elsewhere within the RP's group structure. This includes:
 - i. the significant issues that the audit committee has considered relating to the organisation's financial statements, and how these were addressed;
 - ii. an explanation of how it has assessed the independence and effectiveness of the external audit process;
 - iii. a statement of the directors' responsibility for preparing the annual report and accounts, and whether they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders and other stakeholders to assess the company's position, performance, business model and strategy;
 - iv. whether the board considers it appropriate to adopt the going concern basis of accounting in preparing the accounts, and whether there are any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

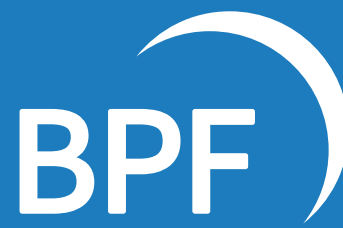
3 A smaller company is one that is below the FTSE 350 throughout the year immediately prior to the reporting year.

Principle B: the board reflects in its work its ultimate responsibility for risk management and ensures that appropriate risk management arrangements are in place.

- a. The board may delegate the detailed scrutiny and evaluation of risk to a committee.
- b. The board establishes a suitable risk management framework.
- c. The board understands the RP's risk profile and the effectiveness of key controls.
- d. The board establishes and documents its risk appetite.
- e. The board ensures that the RP is resilient to the risks it may face, with appropriate mitigations in place.
- f. The board's membership includes people with skills and experience appropriate to the level and range of risks faced by the RP.
- g. The RP's annual accounts are accompanied by a statement about the risk management work of the board.

Principle C: the board reflects in its work its ultimate responsibility for compliance with all legal, statutory, regulatory and constitutional requirements which are relevant to the RP.

- a. The board ensures that a robust internal control framework is in place.
- b. The board obtains assurance about compliance.



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