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Llywodraeth Cymru  
Welsh Government

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Welsh Government

## Consultation Document

# Draft Guidance on Housing Association Board Member Remuneration



Date of issue: **15 September 2014**

Action required: Responses by **8 December 2014**

## Overview

The Welsh Ministers (“We”) are consulting on draft guidance (“guidance”) in respect of housing association board member remuneration.

This consultation document consults in relation to two related areas. Firstly we are seeking views on the Draft Guidance for housing association board member remuneration. Secondly, we seek views on whether the Welsh Government should specify the maximum amount of remuneration that the can be paid to board members.

## How to respond

Please submit your comments by  
8 December 2014

**E-mail:** [darshan.matharoo@wales.gsi.gov.uk](mailto:darshan.matharoo@wales.gsi.gov.uk)

### Post:

Darshan Singh Matharoo,  
Head of Regulation, Housing Directorate,  
Welsh Government, Merthyr Tydfil offices,  
Rhydycar, Merthyr Tydfil, CF48 1UZ

## Further information and related documents

**Large print, Braille and alternative language versions of this document are available on request.**

Insert any references to the internet, documents or information which might be useful to consultees e.g. consultation web address, detailed appendix to consultation

## Contact details

For further information:

Darshan Singh Matharoo, Head of Regulation

### Address:

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Merthyr Tydfil offices, Rhydycar,  
Merthyr Tydfil, CF48 1UZ

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## Data protection

### How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone’s name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

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## **Foreword**

The new risk based approach to regulation has an even greater emphasis on governance. I consider the approach to be vital to ensuring Registered Social Landlords are well run and have the confidence of their stakeholders, which includes the Welsh Government, local authorities, lenders and, importantly, their tenants.

I have had discussions with representatives of the sector about strengthening governance. This has included the composition of Boards, ensuring they have right mix of skills and experience. As a result, Community Housing Cymru is developing, a Code of Governance for the sector. This is likely to address matters such as fixed terms for board members, greater diversity on boards, and the remuneration of board members.

This document seeks views on the subject of the remuneration of Board members. I want to hear what you think. The consultation closes on 8 December 2014 and I welcome your comments by this date.

A handwritten signature in black ink that reads "Carl Sargeant". The signature is written in a cursive style with a long, sweeping tail on the letter 't'.

**Carl Sargeant**  
**Minister for Housing and Regeneration**

## **Background**

A study on the governance of Registered Social Landlords (“RSLs”), or “housing associations” as they are more commonly known, which was commissioned by the Regulatory Board and published in September 2013, included a number of recommendations to improve and strengthen governance. This included for example, the remuneration of board members (i.e. officers), introduction of a Code of Governance, addressing board diversity, fixed term of office for board members.

It was agreed, by the Regulatory Board, that Community Housing Cymru would develop and introduce a Code of Governance and the Welsh Government would consider introducing flexibility for Registered Social Landlords (housing associations) to remunerate their board members as part of a package of proposals to improve/strengthen governance of housing associations. This was also agreed by the Minister for Housing and Regeneration and Community Housing Cymru as part of the Housing Pact between the two organisations.

Welsh Government officials have worked with the stakeholders and representatives of the sector via the Regulatory Board for Wales and its sub groups, the Regulatory Advisory Group, the Finance Advisory Group and the Tenant Advisory Panel to develop the draft guidance.

This document consults on the draft guidance for housing association board member remuneration, and seeks views on whether the Welsh Government should specify the maximum amount of remuneration that can be paid to board members. For example, should it be an annual amount or a day rate or attendance allowance and on what basis should this amount be determined.

The draft guidance sets out the flexibility that Registered Social Landlords have to remunerate board members and highlights the issues they must consider. It also deals with the assurances the Welsh Government expect from housing associations to show that they have complied with this guidance on housing association board member remuneration.

You are invited to comment on the guidance by 8 December 2014.

## **Reasons for consulting**

### **“Draft guidance for housing association board member remuneration”**

Following publication of the sector study on governance of housing associations report, the Minister for Housing and Regeneration gave a commitment to the sector that he would consider measures that helped to improve the governance of associations. The measures include:

- Community Housing Cymru developing a Code of Governance;
- The development of support structures to underpin the Code of Governance; and
- Consideration by the Welsh Government of the flexibility of housing associations to remunerate their board members.

The “Draft Guidance for housing association board member remuneration” has been developed to assist associations to consider whether they wish to remunerate their board members as part of action to improve their governance.

In a survey of associations in England, conducted by the National Housing Federation, over 60% of associations that are remunerating their board members state that the introduction of payment has had a positive or highly positive impact on five key governance areas (*recruitment of board members; retention of board members; board member attendance; performance of individual board member and performance of board as a whole*).

The draft guidance relates to the “Delivery outcomes” which are the standards of performance made by the Welsh Ministers under section 33A of the Housing Act 1996 and which are set out in the Regulatory Framework for Housing Associations registered in Wales.

Under section 33B of the Housing Act 1996, the Welsh Ministers may issue guidance that (a) relates to a matter addressed by a standard, and (b) amplifies the standard. Before issuing, revising or withdrawing guidance under section 33B of the Housing Act 1996, consultation with those bodies under paragraphs (a)-(c) of section 33C is required. Those bodies are:

- (a) one or more bodies appearing to them to represent the interests of registered social landlords,
- (b) one or more bodies appearing to them to represent the interests of tenants, and
- (c) one or more bodies appearing to them to represent the interests of local housing authorities.

In addition the Welsh Government is taking this opportunity to review, update and make associated revisions to the guidance in circular RSL 005/10: Permitted payments and benefits.

### **Consultation process**

You are asked to comment on the “Draft Guidance for housing association board member remuneration”.

### **Consultation deadline**

The period for this consultation is 12 weeks. The deadline for responses to this consultation is therefore 8 December 2014.

## Consultation Questions

The Welsh Government would like to hear your views. We are particularly interested in responses to the following questions but welcome comments on all aspect of the consultation document.

Name:						
Organisation (if applicable)						
E-mail address:						
Telephone:						
Address:						
Please tick to indicate if you are:	Tenant:	<input type="checkbox"/>	Landlord:	<input type="checkbox"/>	Other (please specify):	<input type="checkbox"/>
<b>Question 1 – Do you agree with the principle of board members of housing associations being remunerated?</b>						<b>Please tick</b>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>Briefly, please say why this is your response</b>						
<b>Question 2: Should a maximum amount be set for any remuneration?</b>						<b>Please tick</b>
						Yes <input type="checkbox"/> No <input type="checkbox"/>
<b>Question 3 – If you think a maximum for remuneration should be set, do you think the Welsh Government should specify the maximum amount of remuneration that may be paid by a registered social landlord?</b>						
What do you see as the advantages and disadvantages of setting a maximum amount?						
If you agree that the Welsh Government should set a maximum amount, should it be an annual amount, a day rate or attendance allowance, or any other basis the amount should be determined.						

If you do not think the Welsh Government should set a maximum amount, should it be set by any one else and if so, by whom?

	Please Tick			
<b>Question 4 - How helpful is the content, format and structure of the draft guidance?</b>	Very Useful	Quite Useful	Not very useful	Not at all useful

**Question 5 – How could the draft guidance be improved?**

**Question 6- Is there anything missing, that you think should be included?**

**Question 7 -The box below is provided for any additional comments you may have.**

Responses to consultations may be made public – on the internet or in a report. If you would prefer your name to be kept confidential, please tick the box:	
If you are responding on behalf of your organisation, please tick the box:	
If you are prepared to be contacted in relation to the development of this guidance, please tick the box:	



## How to respond to this consultation?

The Welsh Government welcomes your views on the “Draft Guidance for housing association board member remuneration” set out in this consultation document.

Please let us have your comments by 8 December 2014 at the latest, sending them:

<b>either in writing to:</b> Darshan Singh Matharoo Head of Regulation Housing Directorate Welsh Government Merthyr Tydfil offices Rhydycar Merthyr Tydfil CF48 IUZ	<b>or electronically to:</b> darshan.matharoo@wales.gsi.gov.uk  If you have any queries on the consultation please contact Darshan Singh Matharoo by:  Telephone: 0300 062 8164 (direct line) e-mail: darshan.matharoo@wales.gsi.gov.uk
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## Who are we consulting?

The Welsh Government is consulting with the organisations listed below, in order to comply with the statutory requirement to consult under sections 33B and 33C, of the Housing Act 1996. However, responses are welcome from any individuals, groups or organisations that wish to comment on the proposal:

- Registered Social Landlords
- Community Housing Cymru
- Council of Mortgage Lenders
- Tenants Participation Advisory Service Cymru
- Welsh Tenants
- Welsh Local Government Association
- Regulatory Board for Wales
- Tenant Advisory Panel
- Chartered Institute of Housing Cymru
- Shelter Cymru

**“DRAFT GUIDANCE**

**ON**

**HOUSING ASSOCIATION BOARD MEMBER**

**REMUNERATION”**

# **GUIDANCE ON HOUSING ASSOCIATION BOARD MEMBER REMUNERATION**

## **INTRODUCTION**

The Welsh Government's Regulatory Framework sets out the outcomes that housing associations are required to meet. The outcomes on governance are to ensure that associations are properly governed and headed by an effective board with sufficient range of expertise that will give capable leadership and control.

This consultation document provides guidance on key issues relevant to the subject of board remuneration, which should be seen within the overall context of good governance.

The issues covered in this draft guide apply to all associations as far as they relate to core matters of good governance. Associations that wish to consider paying board members will need to review this guidance, which should inform the business case that will need to underpin any decision.

The Welsh Government requires any association that intends to pay its members to make such a business case, demonstrating how the payment of board would improve the quality of its governance and why it would be in the interests of the association and its residents to use funds in this way.

Associations registered with the Charity Commission should also consult the Commission's publication Payments of Charity Trustees (CC11).

The decision by an association to move from the position of voluntary board membership to one where board members are remunerated is a significant one, which should be backed up by correspondingly robust analysis and evidence.

## **LEGISLATIVE BACKGROUND**

Paragraph 2(1) of Schedule 1 to the Housing Act 1996 provides an association which is a registered society (within the meaning of the Co-operative and Community Benefit Societies Act 2014) or a company shall not make a payment or grant a benefit to:

- a. An officer or employee of the society or company,
- b. A person who at any time within the preceding twelve months has been a person within paragraph (a),
- c. A close relative of a person within paragraph (a) or (b), or
- d. a business trading for profit of which a person falling within paragraph (a), (b) or (c) is a principal proprietor or in the management of which such person is directly concerned, unless the payment made or benefit granted falls within one of the permitted categories.

The following payments and benefits are permitted under paragraph 2(2) of that Schedule:

- (a) Payments made or benefits granted to an officer or employee of the society or company under his contract of employment with the society or company;
- (b) The payment of remuneration or expenses to an officer of the society or company who does not have a contract of employment with the society or company;
- (c) any such payment as may be made in accordance with paragraph 1(2) of Schedule 1 to the Housing Act 1996 (interest payable in accordance with the rules and certain sums payable by a fully mutual housing association to a person who has ceased to be a member);
- (d) The grant or renewal of a tenancy by a co-operative housing association;
- (e) where a tenancy of a house has been granted to, or to a close relative of, a person who later became an officer or employee, the grant to that tenant of a new tenancy whether of the same or another house;
- (f) Payments made or benefits granted in accordance with any determination made by the Welsh Ministers.

In accordance with paragraph 3 of that Schedule, the Welsh Ministers may specify the maximum amounts which may be paid by a registered social landlord which is a registered society or a company:

- (a) by way of fees or other remuneration, or by way of expenses, to a member of the society or company who is not an officer or employee of the society or company, or
- (b) by way of remuneration or expenses to an officer of the society or company who does not have a contract of employment with the society or company.

## **THE DECISION TO PAY AND THE BUSINESS CASE**

In deciding whether or not to pay board members, the association will need to consider precisely how payment would lead to improved board performance and governance. It will need to be confident that it has identified areas where improvement can be made and sustained and that payment would provide the best way forward. It should be able to provide convincing answers to the following questions:

- Is the board effective? Does it perform its key roles and functions well? What difference would payments make?
- How would payment assist the introduction of aids to improved governance, such as performance contracts, fixed-term appointments and mandatory appraisals?
- Does the current board work well together and retain members who make a valuable contribution? If there are problems or scope for improvement, say with retention, how would payment help with this?
- Does the board comprise a diverse range of people with appropriate skills, experience and up-to-date knowledge? Does it reflect the communities it serves?

- If difficulties have been experienced with recruitment, how might payment lead to an improvement, resulting in a more diverse board, for example, with more women, a more representative ethnic mix and people from a wide range of backgrounds, or a board with a more appropriate range of expertise to meet the needs of the association?

Some associations may feel their board is already performing well, but nonetheless wish to introduce payments. There may be concerns about the ability to retain the right people on the board, or the quality of future recruits. Some may feel it appropriate to reward their current board members for their commitment and hard work, which may be acceptable in the context of driving continuous improvement in the association's services and better governance.

Board payments raise many practical issues. Employment law needs to be considered carefully as does the tax position. For some members, the receipt of State benefits issues may be relevant and requires special handling to ensure there are no unintended consequences for the individuals concerned. Consideration will also have to be given whether any local authority councillors who are also on housing association boards should be remunerated or not. As highlighted earlier, associations registered with the Charity Commission will need to consult the guidance it has issued.

Any association considering payment will need demonstrate that it has adopted and implemented Community Housing Cymru's Code of Governance and taken account of the guidance set out below and have given due consideration to all the issues raised.

The Welsh Government does not expect an association to submit its business case for scrutiny before any decision is made and payments commence. However, an association must notify the Welsh Government of any plans to pay and that the decision was made on a business case that meets in full this guidance

An association is also expected to have made publically known its intention to pay and it should have been proactive in seeking the views of tenants, residents and other stakeholders' views.

The role of the Regulator in this matter is described in the final section of this guidance.

## **RECRUITMENT AND APPRAISAL ARRANGEMENTS**

An association wishing to pay its board members must ensure that it has robust, transparent and independent system for recruitment and appraisal. To introduce payments without these safeguards would lay the association open to criticism, which could affect its reputation and that of the sector overall.

### **RECRUITMENT**

When recruiting new members, associations considering payment should demonstrate that their recruitment process is open and transparent. The advice of the Committee on Standards in Public Life provides a useful benchmark.

Associations considering improvements in relation to board diversity e.g. gender balance and other under-represented groups may find helpful the good practice and case study materials set out below:

- Good practice: increasing the number of women and other under-represented groups in Public appointments.  
<http://wales.gov.uk/docs/dsijg/publications/equality/131118-good-practice-en.pdf>
- Key findings from a meeting with under-represented groups.  
<http://wales.gov.uk/docs/dsijg/publications/equality/131118-summary-key-findings-en.pdf>
- Sport Wales Public Appointments Case Study - full report.  
<http://wales.gov.uk/docs/caecd/publications/121219sportwalespublicappointmentscasestudyreport.pdf>
- Publication by the Government Equalities Office on, Equalities Act 2010: *What do I need to know? A quick start guide to using positive action in recruitment and promotion.*  
<https://www.gov.uk/government/publications/employers-quick-start-guide-to-positive-action-in-recruitment-and-promotion>

To be confident that the process is open and transparent, the association will need to consider the following questions:

- Does the association know, for example, what skills, experience, and competencies are required and whether current board members have these?
- Does advertising for board members take into account the equal opportunities and diversity dimension, attracting wide range of applicants by ensuring the information reaches the full target audience?
- Has a person specification been drawn up that sets out the skills and experience needed? Have the board member's key tasks and responsibilities, duties and obligations been set out clearly?
- Is the interview process objective, involving an independent assessor? Is it linked to the skills, knowledge and expertise needed?
- If there is difficulty in recruiting the full range of skills and reflecting the diversity of the neighbourhood? Has consideration been given to appointing someone who may be willing to undertake training in order to fill a skill gap?
- Are there mechanisms in place to ensure that tenants and residents have the opportunity to take part in decision making either through board membership or other ways?
- Do other stakeholders have the opportunity of being involved as appropriate?

## **APPOINTMENT OF CHAIR**

The Chair of the board plays a key role.

Some boards prefer to elect the Chair from among themselves, to ensure that he or she is someone who knows the organisation well and has the trust of their fellow board members. If they take this route, they must be sure that they can satisfy themselves that

their candidate has the requisite expertise, skills and independence to lead the board and work with the Chief Executive.

It may be better to consider open competition for the role. Associations will need to demonstrate that the appointment procedures are open and transparent to ensure the appointment of someone strong and independent enough to take on the role. The association should consider these questions:

- Has it advertised widely to ensure a broad range of suitable candidates?
- Has it considered using recruitment agencies to help find people with the right range of skills and expertise?
- Has it set out clearly the qualities and expertise needed?
- Has it a clear role definition that sets out the duties, responsibilities and commitment that will be demanded?
- Is the interview process robust, professional and objective, and does it involve independent assessors?

## **PERFORMANCE**

The main justification for paying board members must be to improve the quality of governance. Associations proposing to pay must have arrangements in place to assess how well both individually and as a body, they perform. Questions that should be answered include:

- Are there robust appraisal systems in place for the board as a whole?
- Do those appraisal systems enable the board to make a thorough assessment of the value it adds to the association's performance and governance?
- How will the appraisal system help the board monitor the intended improvements?
- How will the contribution of individual members be assessed?
- How will the role of the Chair be assessed?
- Have the Chair and board members been set clear objectives against which they can be measured?
- Are the appropriate people carrying out appraisals?
- Are the appraisals robust and independent?
- Are they carried out regularly?
- Are there clear criteria against which board members are assessed?
- Is there a clear policy for dealing with members who fall short of the standard required?

## **MANAGING BOARD TURNOVER AND RENEWAL**

An effective board will, over time, need to balance the need for continuity of membership against the need for managed turnover for new members to bring fresh perspectives. Boards proposing to pay must have arrangements in place to ensure that an appropriate balance is achieved.

Associations should consider:

- For what term members should be appointed?

- How often they should be able to stand for reappointment, bearing in mind the term set out in Community Housing Cymru's Model Rules for Housing Associations in Wales (2013), the Code of Governance and the recommendation of the Committee on Standards in Public Life?
- What, if any, conditions should be attached to reappointment?

## **MAKING THE DECISION**

In considering a decision on making payments to board members, the board will need to consider:

- What part will the board and the executive play in making the final decision?
- Is there an independent remuneration committee which can consider the question?
- Should members be involved in the decision? How will this be managed?
- How will tenants' and residents' views be sought?

Associations that decide to remunerate their board members will need to consider how they are going to introduce the new system and what transitional arrangements will be needed. They will need to consider how to deal with existing members and will also need to consider the following:

- The introduction of performance contracts and fixed term appointments;
- The introduction of a rolling programme for replacement or reappointment;
- Annual assessments
- Policies and strategies for dealing with people who do not meet the necessary standards;
- A reduction in the board's size, if as part of their board review they have decided that is justified;
- Board members who decide to waive payment, and wish to continue acting in a voluntary capacity.

## **BOARD SIZE AND COMPOSITION**

Inevitably, any decision by an association to pay its board members will incur additional costs. These will vary depending on the level of payments and the size of its board. The association may need to review its membership and consider the following questions:

- Does the size of the board enable people to work together and reach decisions in a constructive way?
- Does each individual member make a unique and important contribution?
- Can the association find people who will offer more than one skill or area of expertise?
- In trying to achieve diversity can it find people who both reflect the community and also offer some of the skill it lacks?
- Can training help to fill some skills gap?
- What is the scope for a smaller, paid, board supported by a voluntary committee?



## PAYMENT ISSUES

Once the association board has made a decision in principle to pay, it will need to consider the frequency of payment e.g. monthly or quarterly, and which payment approach will be most appropriate. These may include:

- Loss of earnings allowance;
- Fixed annual amount or honorarium;
- An hourly rate;
- Attendance allowance.

Associations are not expected to pay a pensionable salary to board members.

When coming to a decision about whether or not to pay board members, consideration will need to be given to:

- **Fairness:** will it discriminate against the low paid and unemployed, whose benefits may be affected;
- **Cost to the association:** whatever system is agreed should result in proportionate and predictable levels of payment;
- **Comparison:** with similar associations that pay and their experience of different methods.
- **Administrative effectiveness:** simplicity
- **Transparency:** in reaching the decision, the payments policy and arrangements.
- **Benefit to the association:** accountability and performance

## WHO TO PAY

When considering who to pay, the board should consider whether payments should be to all board members or to Members fulfilling specific roles within the board. For example:

- The Chair
- The Chair and the Chairs of sub-committees
- Members of sub-committees who are not main board members
- All members of subsidiary boards and committees throughout group structures
- Individuals co-opted to the board
- Members of boards that may be receiving remuneration for their role on a board e.g. Councillors nominated to a board by a local authority

Some associations may decide that they cannot afford to pay the whole board, but they may wish, for example, to consider having, for example, a paid Chair. This guidance should be followed irrespective of how, or how many members may be remunerated.

## PAYMENT LEVELS

In fixing levels of payment within statutory limits (to be set out in Circular RSL 005/10 on permitted payments and benefits), the association should consider two tests of proportionality:

- a. The overall cost to the association in proportion to its turnover;

- b. The amounts paid to individual board members.

When considering the overall cost, associations will need to consider:

- What proportion of turnover is it reasonable to spend on payments to the board members?
- Is the total amount to be spent defensible as a cost per tenant or per unit?
- Will the amount to be spent affect the ability to deliver services to the tenants?
- What impact will the cost of payment have on overall use of resources and ability to meet obligations under the Code of Governance?
- Overall, will the improvements in governance that are expected be sufficient to justify the expenditure?

When looking at amounts to be paid to individual members, associations will need to consider:

- The time the member is expected to spend on association duties;
- The level of responsibility assumed;
- The size and complexity of the association and difficulty of the job;
- Amounts (if any) paid by other associations in the area for a similar role;
- The amounts paid to board members of similar public sector or voluntary organisations.

In considering whether the Chair and or the deputy should be paid more than other board members, the association will need to consider:

- How much extra time these officers spend on association duties compared with other members;
- How much additional responsibility they assume;
- How much the Chairs and deputies of similar public sector or charitable organisations are paid.

## **REGULATION OF PAYMENTS**

While an association is not required to submit a business case in relation to board member remuneration, an association is expected to inform its Regulation Manager at an early stage if it is thinking about introducing payments.

An association is also expected to have informed the Welsh Government if it has decided to introduce payment and in advance of making a payment, so that assurance can be provided that it has complied with this guidance.

Assurance on the following is particularly important:

- The association has identified those areas where it expects to see measurable improvements;
- It has a planned approach to reaching a decision, which reflects this guidance.
- The proportionality of the amounts to be paid has been fully considered;

- There are robust plans for tenant/resident consultation and for considering the views of other stakeholders;
- There are systems in place to monitor and evaluate the effects of payment.

Failure to address these matters before introducing payment will be regarded as failure to fulfil the basic good governance obligations of the Code of Governance relating to maintaining high standards of probity and maintaining the good reputation of the sector.

If after a decision to make payments is made, concerns arise about the process by which it was reached, in arrangements implemented, or about governance improvements as a result, further investigation may be triggered and, if necessary, appropriate regulatory action taken.

Where an association which is a registered society or a company pays a sum or grants a benefit in contravention of paragraph 2 of Schedule 1, the Welsh Ministers can direct the association to take steps to recover the sums paid or benefit granted. Note registered charities are also subject to relevant charity law. Associations registered with the Charity Commission should also consult the Commission's publication Payment's of Charity Trustees (CC11).

### **Maximum amount of payment**

The Welsh Ministers have a power in paragraph 3 of Schedule 1 of the Housing Act 1996 to, from time to time, specify the maximum amounts which may be paid by a registered social landlord by way of remuneration or expenses to an officer of the society or company who does not have a contract of employment with the society or company.