

GOVERNANCE FRAMEWORK

FOR THE NEW ZEALAND SPORT AND RECREATION SECTOR

WHY BE CONCERNED ABOUT GOVERNANCE?

Simply put a good governance framework leads to better results, it provides confidence for stakeholders and directors, and it actually makes the job easier and more enjoyable.

GOVERNANCE IN SPORT AND RECREATION IN NEW ZEALAND

No organisation can prosper without excellence in its governance structures, systems and practices.

The growing complexity and challenges within the sport and recreation sector make this increasingly important. In the past ten years the governance of New Zealand sport entities has changed markedly. In many areas we can now consider ourselves world leading. Hundreds of people have contributed their time and wisdom to lift standards within our organisations. Their efforts need to be acknowledged and the resulting progress recognised and appreciated.

WHAT IS GOOD GOVERNANCE?

Sport New Zealand has maintained a strong commitment to support change.

Working with dozens of organisations and drawing on the skills of a range of expert advisers and practitioners, there is now a widely agreed understanding of what good practice in sport governance looks like.

The basic requirements are largely consistent across legal jurisdictions, theory and application. There is of course no 'one size fits all' model. While retaining the fundamental principles that underpin effective governance, there are times when boards are called upon to adapt their practices in response to challenging times or at various stages of development.

The elements of the framework outlined below provide a sound guide for good governance practice that will suit the majority of sport and recreation organisations most of the time.



HOW CAN THE FRAMEWORK BE USED?

Organisations can refer to the framework as further guidance in their governance development or can choose to formally opt in as a 'participating organisation'.

PARTICIPATING ORGANISATIONS

We hope that all organisations will choose to adopt the framework and work towards alignment by an agreed date, perhaps one or two years out. The framework in its current form is designed for organisations employing staff. We will look to vary and extend the code to other organisations at a later date.

Sport New Zealand will continue with its targeted approach understanding that we cannot work with and support everyone. However all organisations intending to work towards alignment with the framework should inform Sport New Zealand. We will respond to you with the level of support we can offer.

HOW WILL PROGRESS BE MEASURED?

Sport New Zealand's development tools, particularly the organisational development tool and the online governance evaluation system, will be aligned with the framework. The publicly available on-line governance assessment tool has been reworked and serves as the assessment process for the framework.

GOVERNANCE QUALITY MARK

Accredited organisations will be able to use and display a governance standard symbol.

Maintenance of the standard will require an assessment every three years. Ideally this should be part of the board's own cycle of assessment and development. Third party assistance with this process will form part of Sport New Zealand's ongoing support of key partners.

The use of the quality mark will require an expert third party review of the assessment's results.

Sport New Zealand will maintain a list of accredited assessors for organisations wanting to undertake the process in their own right.

As noted above a varied form of the framework will be developed for smaller organisations at a later date.

SUPPORTING RESOURCES

Key resources and discussion papers are linked directly out of this document. A larger suite of resources, templates, articles, web links and bibliographies is available through the following links;

[Nine Steps to Effective Governance](#)

[Planning in Sport](#)

[The Role of the Board Chair](#)

Inquiries: governance@sportnz.org.nz

CLARITY & COHESION

STRATEGIC FUNCTION

The creation of a prosperous future for the organisation is a core responsibility of a board.

Strategic planning, thinking and review are part of a planned process. A clearly stated organisational purpose together with goals framed as outcomes guide the organisation.

KEY ELEMENTS

1. The board understands that its primary role is strategic.
2. The organisation has a clearly expressed **statement of strategic direction** focused on benefits for its target communities. The document focuses on organisational purpose and the outcomes [ends] to be achieved not the tactics to be used [means]. The latter are designed by the chief executive and management.
3. The board **leads the creation** of the **strategic plan** supported by the chief executive and senior staff, as appropriate.
4. The board understands the organisation's operating environment and the significant challenges within it.
5. The board, on a planned cycle, addresses the efficacy of current strategies and considers future strategic options for the organisation.
6. The board requires the development of a business/**operational plan/s** as the operational response to the board defined outcomes and strategies. Such plans are owned by the chief executive.
7. The annual budget is derived from the annual business/operational plan and is not merely a revised version of the previous year's budget. There is a clear link between strategy and application of resource.

CHECKLIST

1. The strategic plan is subject to critical review to ensure it responds to the organisation's key challenges and is written as outcomes rather than activities.
2. **Board minutes** indicate regular strategic discussions at meetings.
3. Review of the operating/business plan to indicate that it reflects the strategic plan and is owned by the chief executive not the board.
4. A board minute to demonstrate that the chief executive walked the board through the business plan and that there was board satisfaction that the plan/s reflects the strategic challenges.
5. Evidence that the annual budget, representing both anticipated revenues and the cost of allocation of resources, is derived from the business/operational plan.
6. Transparent link between strategy and allocation of resource is evident.
7. Evidence of a planned cycle of evaluation of present strategy and consideration of future options.

FURTHER GOOD PRACTICE

The board has a planned discussion (at least annually) to specifically address the organisation's strategic issues. Ideally such sessions should be facilitated by an expert, independent facilitator, thus allowing all board members to contribute as full participants.

CONSTITUTION OR TRUST DEED

The **constitution** or **trust deed** lays out the legal framework for the organisation. It makes clear the purpose and objectives of the organisation and the rights of the members. It outlines the structure and processes for constituting the board together with rules for meetings.

KEY ELEMENTS

1. The document has been recently reviewed and updated to ensure alignment with current law and governance practice. It clearly outlines the purpose of the organisation.
2. The constitution/trust deed does not include rules and policies that belong in other documents.
3. The rights of the membership as expressed through general meetings are limited to constitutional matters.
4. The board, not a council or similar body, is the ultimate decision authority in the governance of the sport.
5. Core governance/officer roles are defined, e.g. the difference between the role of the president and the board chair is specified.
6. Board composition, tenure and recruitment are clearly specified.
7. It is a simple and clear document written in plain English and laid out in a manner that facilitates easy access to its content.

CHECKLIST

A review by an independent specialist indicates that the document aligns with contemporary good practice.

FURTHER GOOD PRACTICE

The board has a planned discussion (at least annually) to specifically address the organisation's strategic issues. Ideally such sessions should be facilitated by an expert, independent facilitator, thus allowing all board members to contribute as full participants.

STRUCTURE WIDE COHESION

Where there are multiple parties involved in the achievement of strategic outcomes, formal agreement is required. This applies to any structure or grouping of interests but particularly where organisations are a federation of member bodies – generally National Sports Organisations (NSOs) are federations.

Each body will have a specific focus and role. Mutual understanding and how co-operation is to occur can be documented in a number of ways; constitutional alignment, [whole of sport](#) plans, memoranda of understanding, service level agreements or through joint ventures. Each group needs the other to deliver effective outcomes for members and participants as a whole. Cross sport agreements are not strictly core governance but nonetheless strategically important.

CHECKLIST

1. Evidence of alignment between the national strategic plan and members' [regions, districts, centres etc.] plans together with common reporting frameworks.
2. Documented co-operation and collaboration between members and the national body.
3. Evidence of constitutional alignment.

PEOPLE

Structured director recruitment processes, limited tenure and managed turnover are now widely practiced by boards in all sectors of organisational life. All directors should have a sound understanding of governance practice. The board is a team who 'fit together' and bring a balanced range of skills, background and perspectives necessary for effective governance. Formal induction should be part of a governance development plan. The board has a mix of elected and appointed directors.

KEY ELEMENTS

1. The [recruitment](#), interview and appointment process for directors is conducted by an appointment panel with external (to the board) representation.
2. The board maintains a [skills matrix](#) that reflects the challenges and needs of the organisation.
3. The board actively seeks a diverse composition.
4. Directors are provided with [role descriptions](#) and [letters of appointment](#).
5. There is a documented and utilised [induction programme](#).
6. The board regularly considers succession planning.
7. Director and office holder tenure is specified and honoured to ensure ongoing boardroom refreshment.
8. All positions are open nominations and widely [advertised](#).
9. There is the opportunity for the board to appoint independent directors to enhance the board's skill-set.

CHECKLIST

1. An appointments policy with documented procedures that reflect the key elements above.
2. Evidence that this policy has been applied.
3. A director induction policy and evidence of use.
4. Evidence of succession planning, e.g. either a policy or a meeting minute that describes a succession process to be undertaken.

FURTHER GOOD PRACTICE

1. There is a professional development policy and budget.
2. [Recruitment material](#) is professionally reviewed.
3. The appointment panel has independent representation with expertise in recruitment processes.

INSIDE THE BOARDROOM

GOVERNANCE PROCESSES

Sound governance processes that are understood and practised by all directors are the basis for effective boardroom practice and overall good governance. Such processes should be documented in the [board charter](#) and kept up to date.

KEY ELEMENTS

1. The board has an agreed understanding of its role and how that varies from management.
2. The board's role and responsibilities are documented in the board charter, or similar document, that includes a policy and delegation framework.
3. Governance committees are limited to core governance functions, e.g. audit and risk and Chief Executive performance management, and their role is documented in terms of reference.
4. The board develops an [annual work plan](#) / calendar as the basis for agendas and ensuring it meets its commitments in a timely manner.

CHECKLIST

1. There is a board charter or similar document. It is reviewed on a planned cycle.
2. The board has a [clear understanding](#) of how the policy framework is used to guide its work and that of management.
3. Existence of an annual work plan that lays out meetings and key tasks.
4. Review of a sample set of [board minutes](#) and [papers](#) to verify that board meetings are designed to have a strategic focus.
5. Review of terms of reference of board committees (see [board charter](#)) to verify appropriate role, structure and practice.

RELATIONSHIP WITH THE CHIEF EXECUTIVE

The chief executive is the board's primary connection to the organisation's operations. He/she is charged with the responsibility of designing the systems and processes to deliver the outcomes stated in the strategic plan. This essential relationship is best designed and managed on the basis of a clearly defined statement of delegation aligned to the strategic and policy framework. The board has to do its work first. In essence the chief executive's job description is to deliver the strategic outcomes within the frameworks established by the board.

KEY ELEMENTS

1. There is a documented statement of delegation (see [board charter](#)) that makes clear the limits on the chief executive's authority and outlines his/her freedom of action/decision-making.
2. The [chief executive's performance](#) is based on the achievement of the outcomes/goals and targets established in the strategic plan together with adherence to relevant delegation and policies.
3. There is an up-to-date [performance agreement](#) and plan that is the subject of regular monitoring and feedback to the chief executive.
4. The chief executive's performance is ultimately considered by the board-as-a-whole, not left solely to the responsible sub-committee.
5. The chief executive is not a formal member of the board.
6. The relationship between the [board and chief executive](#) is based on openness, honesty, trust and respect for each other's role and accountabilities.
7. The board is a 'Good Employer'.

CHECKLIST

1. Review of the efficacy of the delegation to the chief executive.
2. Evidence that the board works within its delegation to the chief executive and that the framework is used as the basis for managerial decision-making.
3. Evidence of a chief executive performance assessment protocol that is used annually and delivers good outcomes for the chief executive and the board.

FURTHER GOOD PRACTICE

1. The board has an emergency plan for management continuity.
2. In sport, the expertise of directors is often used outside the boardroom. This is no longer a governance function but that of a volunteer with the chief executive accountable for that specific project. Directors should be clear about the change in roles.

BOARD MEETINGS

Board meetings are designed and practiced in a manner that ensures the best use of the expertise and time of directors and all others contributing to the meeting process. This assists with a positive boardroom culture and sense of accomplishment. The dominant focus of a board meeting is the organisation's future rather than its past. Ideas and issues are examined vigorously through dialogue and active inquiry. Effective leadership ensures sound group processes. Agreed decision-making protocols lead to good outcomes. Board papers contain only those things relevant to the governance conversation and are set in a strategic context.

KEY ELEMENTS

1. Board meetings are well led by a [chairperson](#) who serves more as a 'facilitator/conductor' than a 'controller' of boardroom discussions, providing leadership by modelling the behaviours required for effective team functioning.
2. The board meets regularly to deliver its duties effectively.
3. Director attendance at board meetings is high. Apologies are few.
4. The boardroom culture encourages participation and contribution from all directors.
5. Constructive dialogue focuses on the issue rather than the person presenting the issue.
6. Meetings focus on governance matters. Delving into the management/operational realm is well managed and confined to assisting directors to better understand governance matters under discussion or to ensure compliance with board policies and directives.
7. The focus of board meetings is on the future of the organisation. Compliance monitoring is designed to be efficient, effective and brief so that sufficient time and attention can be devoted to strategic issues and to strategic thinking.

8. The [agenda](#) and [board papers](#) are distributed well ahead of board meetings so that directors have ample time to read and interpret the information.
9. The purpose of [board only](#) [just the directors] time is understood by directors and management.
10. The chief executive is regarded as an essential advisor to the board, and is encouraged and enabled to contribute to board dialogue as a partner rather than merely an employee.
11. The meeting agenda is designed to ensure that attention is best focused on the 'big' issues rather than following a traditional format, e.g. strategic matters at the front end of the agenda when directors' minds are freshest. The chair sets the agenda.
12. Director boardroom behaviours and attributes demonstrate the following ideals.

BOARD MEETINGS (cont.)

DIRECTORS:

- are prepared to ask inquiring questions;
- debate robustly but not combatively;
- work well with others in the boardroom and are respectful of their views;
- have sector/sport knowledge and awareness and bring this to board dialogue and decision-making;
- have sound business knowledge;
- prepare for meetings; and
- provide regular, appropriately focused contribution.

CHECKLIST

The biennial whole of [board performance review](#) demonstrates high levels of performance in each of the elements above, in particular;

- Meeting structure and agenda
- Board papers
- [Decision processes](#)
- Constructive meetings

FURTHER GOOD PRACTICE

1. Meeting times and venues facilitate the best outcomes.
2. Prior to meetings there is a mechanism that allows directors to seek answers relating to the interpretation of data and information.
3. Senior staff, when present, are respected for their expertise and, through the CE, assist directors to better understand issues.
4. Each meeting concludes with a brief review of its efficacy.

INTEGRITY AND ACCOUNTABILITY

ACCOUNTABILITY

Duties, obligations and responsibilities accompany directorship. While individual directors are accountable under the law, the board as a body is accountable to its owners/members/community. Accountability includes the delivery of the right outcomes in the most effective way. To ensure this, boards need to operate effectively and individual directors contribute to the highest standard.

Regular board performance assessment is now widely accepted. Commitment to external reporting is desirable through regular stakeholder updates and a governance statement in the annual report.

KEY ELEMENTS

1. All directors understand their obligations and duties under the law. These are documented in the board charter.
2. All directors are aware that even though the legislation under which their organisation is incorporated might not make specific reference to directors' duties and penalties for non-compliance, nonetheless individually and collectively there is an appreciation that the standard to which they must operate is laid out in the Companies Act 1993.
3. The board has a culture of accountability to stakeholders, members, investors and key partners including a planned regime of communication.
4. Directors understand that their primary duty is to the organisation governed, not to constituent groups.
5. The board as a whole will undertake a full evaluation at least every third year.
6. The annual report includes a section on governance performance.

CHECKLIST

1. A charter or similar document that outlines the role, duties and responsibilities of directors.
2. A [stakeholder plan](#) that outlines current and desired future relationships with key stakeholders together with a programme of scheduled communication.
3. A board performance policy and evidence of regular assessment consistent with the policy.
4. A [governance performance](#) component in the Annual Report.

FURTHER GOOD PRACTICE

1. There is a register of other relevant Acts and a brief summary of key legal matters.
2. The board extends its evaluation programme to individual directors, the chair and management's perception of the board.

REPORTING AND MONITORING

The chief executive reports, the board monitors and evaluates. Management reporting is designed to provide assurance that:

- The organisation is meeting all of its policy, legal and moral obligations.
- The organisation is making progress towards the achievement of its purpose and priorities.
- Organisational learning and challenges are shared with the board.

KEY ELEMENTS

1. The board fulfils its obligations under prevailing legislation and organisational policy.
2. Chief executive reporting to the board is set against the strategic plan not the operational plan. The latter, however, will assist the chief executive to formulate a constructive board report.
3. The strategic plan is written so that there are criteria against which operational performance can be measured annually.
4. There is strong financial literacy within the board; preferably there is more than one director with strong financial skills. All directors have a basic understanding of the financial criteria that underpin financial viability.
5. The board and organisation have undertaken a programme of risk identification supported by risk management and mitigation strategies.
6. The board receives a [register of organisational risk](#). Risk management strategies are regularly updated.

CHECKLIST

1. Review of board monitoring processes and related documentation.
2. The board performance review makes clear that there is sufficient financial expertise within the board necessary to ensure effective oversight of sound financial performance.
3. A risk register is updated every meeting.

FURTHER GOOD PRACTICE

1. Boards of larger organisations have an Audit and Risk Committee that supports the board's oversight of financial management and reporting.
2. The Audit and Risk Committee's brief is wider than just addressing financial risk.

ETHICS

A high level of integrity and honesty is the foundation for a board to build trust. When a board 'walks the talk' it is much better placed to design and impose rules and ethical practices at all levels and in all areas of activity in the organisation. Freedom from outside accusations or perceptions of director use of privilege is critical to the integrity of the board.

KEY ELEMENTS

1. The organisation has the necessary constitutional and policy elements covering doping, [match fixing](#), [children's sport](#), disputes, discipline, and sideline behaviour etc. as required.
2. A conflict of interests policy is contained in the board charter. The board maintains a register of interests.

CHECKLIST

1. The [register of interests](#) is updated at every meeting.
2. Presence of constitutional and policy elements as required.

FURTHER GOOD PRACTICE

There is a "whistleblowing policy" that respects confidentiality with clear guidelines for its use. All staff and directors are aware of this.

THE FUNDAMENTALS

There are a handful of things, above all, that the board needs to have in place;

- A statement of strategic direction written in outcomes language.
- Good practice management reporting focused on achievement of outcomes not management activity.
- A policy framework that the board understands and works within.
- Meetings that are structured to have a strategic/future focus.
- Planned regime of accountability to stakeholders.





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