

THE GOVERNANCE LITE FRAMEWORK

**SPORT AND RECREATION
ORGANISATIONS**

—
FEBRUARY 2020



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0.0 INTRODUCTION AND TERMINOLOGY

These help sheets and the associated resources in the toolbox are a version of the Governance Framework for Sport and Recreation in New Zealand adapted for small and voluntary organisations. The principles that sit under the full Framework still apply and that guide, and its associated resources, will work well for some organisations.

The Governance Lite Framework acknowledges that the majority of sport and recreation organisations have no or very few paid staff.

Therefore, many boards are wearing many hats at once. These short guides explain that in any setting there is a distinct governance function to be performed and that is separate from your contribution as a volunteer helping with day-to-day matters.

People volunteer to do good work. Hopefully these resources will help your board do exactly that and its members will get enjoyment and satisfaction from their efforts and the time they give generously.

Terminology

We use the word **board** throughout to describe your governing group. You may call it a committee, council, trust, or leadership team. We use board as it has a clear legal meaning under the Companies Act 1993, which is at present the best legal guide to the obligations of boards in a legally incorporated group.

For the same reason we use **director** to indicate any member of that group. This may cover roles such as committee member, trustee and councillor, but again the duties of a director under the Companies Act are the best guide we have for the non-profit world.

If you have staff, the terms chief executive, general manager, manager, and team leader all mean the most senior and responsible member of your paid staff.

Related Governance Lite sections

Each guide gives links to related sections in this Framework.

Governance Lite Toolbox

There is a toolbox of templates, good practice examples and related resources.

These have been created or selected as especially suited to smaller or voluntary organisations and are linked out of each section.

Sport New Zealand

Sport NZ has a wealth of governance resources and learning opportunities for directors. Some of these have been created for larger organisations but the principles are still the same and generally easily transferable. Links are provided throughout.

Feedback

We are interested in suggestions, gaps, and great examples from the sector.
governance@sportnz.org.nz

GOVERNANCE LITE FRAMEWORK

CLARITY AND COHESION	PEOPLE	AT THE LEADERSHIP TABLE	INTEGRITY AND ACCOUNTABILITY
THE GOVERNANCE LITE FRAMEWORK FOR SPORT AND RECREATION IN NEW ZEALAND KEY ELEMENTS			
<p>Everyone agrees WHY the organisation exists</p> <p>Everyone understands WHAT we are trying to achieve this year and in the long term</p> <p>Everyone is confident HOW our effort and money are going into activities that will get us where we want to be long term</p> <p>The organisation's legal structure and documents are helping rather than holding us back</p>	<p>The best people available are sitting at the board table</p> <p>We have a good mix of fresh and experienced directors</p> <p>Everyone knows what their job is and how to do it well</p> <p>We have a good mix of elected people and people brought in for their expertise or independence</p> <p>Our board has a good mix of new and experienced directors and is refreshed on a planned basis</p>	<p>We agree that our meetings make good use of our time</p> <p>We make time for future thinking as well as day-to-day operational work</p> <p>We avoid arguments by agreeing on how we make decisions</p> <p>We have clear and agreed connections with the people we rely on to get things done (our paid or volunteer workforce)</p>	<p>Conflicts of interest are discussed and dealt with in a transparent way</p> <p>Our behaviour is always ethical and in the best interests of the organisation</p> <p>We comply with any relevant legislation</p> <p>We let people who have an interest in our success know what we are doing, and we check that everyone is happy with the work we do</p>
DOCUMENTS/TOOLS			
<p>A <u>strategy</u> (1.1) that clarifies why we exist and what we hope to achieve</p> <p>An <u>action plan</u> (1.2) that clarifies what must be done, by who and by when</p> <p>A <u>constitution</u> or <u>trust deed</u> (1.3)</p> <p>A <u>budget</u> and <u>regular reports</u> (1.4 & 4.1) that show we are spending the most money in areas that will make the most difference and are making progress towards our targets</p>	<p><u>Role descriptions</u> (2.2) for the board so we know <u>what skills</u> (2.3) we need on the team and what everyone is expected to do</p> <p><u>Information</u> (2.2 & 2.4) for people new to specific roles e.g. key information or 'how to' guides</p> <p><u>Some simple recruitment tips</u> (2.1)</p>	<p>A <u>meeting agenda template</u> (3.2)</p> <p><u>Quick guide to good meetings</u> (3.1)</p> <p>An <u>annual agenda</u> (3.5) with time set aside to focus on the long term</p> <p>A <u>risk register</u> (3.6)</p> <p>An <u>action register</u> (3.4)</p> <p>Agreed '<u>rules of engagement</u>' that clarify how the team will behave (2.1)</p> <p><u>Regular reports</u> (3.1 & 4.1) that show if we are doing what we planned and if we are achieving the results we hoped for</p> <p><u>Delegations/policies</u> (0.3) that connect us to the people who do the work</p>	<p>A document that clarifies for everyone in the organisation how the team manages <u>conflicts of interest</u> (4.2)</p> <p>A <u>list of legal acts</u> (4.4) to be aware of and a summary of how these impact us</p> <p>A <u>plan to talk to key people/ organisations on a regular basis</u> (4.5)</p>
GOING A BIT FURTHER – SOME MORE GOOD PRACTICE			
<p>Support from a mentor who can help us <u>think strategically</u> (2.4)</p> <p>One-page <u>statement of intent</u> for use with stakeholders (1.1)</p> <p>Regular '<u>thinking sessions</u>' when we talk about the future (0.2)</p>	<p>Documented <u>induction programme</u> (2.4)</p> <p>Self-assessment of our <u>performance as a board</u> (4.3)</p>	<p><u>Post-meeting review</u> (3.1)</p> <p><u>Decision making</u> (4.3)</p>	<p><u>Governance statement in the annual report</u> (4.5)</p>

0.1

WHAT IS THIS THING CALLED GOVERNANCE?

The word 'governance' is derived from a Greek word meaning 'to steer'.

Simply put, governance is undertaken by a group of people who represent your ownership and make decisions on their behalf to steer the organisation to a successful future.

Directors¹ in any setting hold in trust the organisation's physical and intellectual assets, as well as the efforts of those who have gone before, preserving and growing these for current and future generations.

"Mō tātou, ā, mō kā uri ā muri ake nei"

"For us, and our children after us."

Ngāi Tahu whakataukī (proverb)

Directors protect the organisation from harm (risk) and steer it towards positive achievement. That means governing is an active role with a focus on ensuring your organisation is well managed, but not doing the managing.

Whatever the size of the organisation, all directors of legally constructed entities have duties and responsibilities. These will be set out in your constitution (sometimes called rules). The detail of how your board works should be in a separate charter or board policy manual. This will outline the unique role of the board separate from that of any staff. It also outlines how you connect and interact with the people who work day-to-day across your organisation.

The members of your board² will be a mix of elected, appointed and co-opted members. They are charged with setting your organisation's purpose, values and key outcomes. Your stated values should include an expression of a moral and social responsibility relevant to your organisation or, simply put, 'how we do things around here'.

One of the best and simplest ways of viewing the governance role is the creation of:

The right benefits at the right worth

Within that, the detailed responsibilities include:

- setting the direction of the organisation
- setting high-level policy
- monitoring and achieving appropriate outcomes
- meeting all legal requirements
- ensuring the organisation is financially sustainable.

It is important to have processes in place to ensure you select the right people with the right skills and experience to govern your organisation. This includes the willingness to work collaboratively with the team that delivers the services and the person appointed to lead that team.

¹ We use the term 'directors' throughout the Governance Lite resources. Trustees, governors, board members and committee members are all equally valid terms. We use directors as it is the Companies Act that presently best spells out the obligations of those who serve in these roles.

² We use the term 'board' throughout; committee, trust and council are all interchangeable.

Your board must understand how it adds value to the organisation and the community it serves. It does this by regularly asking itself some key questions.

Governance check – good questions to ask

- *What is our purpose, our reason for being?*
- *If this organisation didn't already exist, why would we create it?*
- *What's our vision?*
- *Is it still relevant?*
- *Who are we doing this for? Who should benefit?*
- *What's the essence, ethos or spirit of this organisation?*
- *What's important to us?*
- *What do we stand for?*
- *Where is the organisation at present?*
- *Where do we want to get to?*
- *What do we want to become?*
- *How do we want to interact with each other and the outside world?*
- *Have we fulfilled our purpose – is it time to close the doors and move on?*

In small organisations with few or no employed staff, the board may need to fill both the governing role and all or part of the operational functions. For this to be effective, you need to put the right 'hat' on – a governing hat when governing and one that focuses on being a volunteer when delivering the day-to-day services.

Governance check – acting as a volunteer outside the boardroom

Remember that only the board as a group can instruct staff. Individual directors have no authority. If you are providing advice or helping out, you do so as a volunteer.

More information

Sport NZ has a wealth of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[0.2 The role of the board](#)

[1.1 The strategic plan](#)

[4.2 Conflicts of interest](#)

Sport NZ resources

Governance in the New Zealand sport and recreation sector

<https://sportnz.org.nz/assets/Uploads/SportNZ-GovernanceDocument.pdf>

Sporttutor – Sport NZ's free Governance IOI training course

<https://www.sporttutor.nz/pages/coursedescription.jsf?courseId=112261>

0.2

THE ROLE OF THE BOARD

Governance is different from management. No matter what size the organisation, there are some things that are just for the board.

If you are a fully voluntary organisation or have limited staff members, the boundaries between governance and operational roles can become blurred.

Being clear about which is which will make the job easier.

The board's job

In any size organisation there are several things that are exclusively the role of the board. They cannot be delegated and a number of them are outlined in legislation.

These include:

- setting organisational purpose – why we exist
- deciding the outcomes to be achieved – the benefit we will deliver for our community
- being accountable to our owners (members/community/participants)
- ensuring confidence is maintained with our key stakeholders and partners
- exercising strategic choice – how best to apply our resources for maximum benefit
- monitoring the organisation's performance – are we moving the dial and how do we know?
- conducting financial and asset oversight
- ensuring legal compliance – such as being a good employer and complying with health and safety
- setting the tone – how we conduct business and how we expect our people to act.

Management's role

The board's job is to define what is to be achieved; management works out how to get there. Obviously the two talk to each other, but where you do have staff they are accountable for progress against the goals set by the board. In fully voluntary organisations, these roles are often performed by the same people, but they remain separate functions.

Directors supporting management

Non-profit organisations want the benefit of the specific individual skills that directors bring. This can be on an operational committee or as advisors to the management team. This is desirable and welcome, but remembering that it's not a governance function.

Operational committees

These are not board committees; they don't support the board's work. They are convened by and report to the senior management person, who will in turn report on their work to the board.

Committees' powers are limited and should be made clear in their terms of reference.

Board committees

Board committees do board work. Generally, they are limited to audit, risk (not finance), governance (board recruitment, performance and development), and chief executive performance. Some boards now have a health and safety committee. Sometimes the board will create a time-bound project committee, for a major project, for example. Many organisations create operational committees that duplicate management functions (e.g. marketing, fundraising, finance). They are likely to be useful in voluntary organisations but remember that they are not doing governance work.

Governance check – set the boundaries

- *Terms of reference should define the committee's role, lifespan, procedures and functions, and its authority should be reviewed annually.*
- *Members may be co-opted from outside the board to bring additional skills, experience or networks.*
- *Committees or working parties can't exercise authority over employees or delegate tasks to an employee unless the board has given that power and the management team leader is comfortable with it.*
- *Unless explicitly empowered by the board, committees or working parties can't make binding governance decisions or speak for the group. This will be in the terms of reference.*
- *Committees and working parties shouldn't mirror operational divisions, departments or employee functions.*

Directors as advisors

An individual member of the board can't directly instruct a member of staff and the management team is not bound by advice given. Diligence, professionalism and accountability are required, and the initiation, continuation and termination of advice is at the discretion of the management team.

Governance check – a meeting of two halves

Start your meetings in governance mode by dealing with governance matters. Take a break, have a coffee and restart in operational/helping mode as a volunteer. If you have a manager, perhaps they can run this section of the meeting.

Governance check – which hat?

In small organisations the board may need to fill both the governing role and all or part of the operational functions. For this to be effective, you need to put the right 'hat' on at the right time – a governing hat when governing and one that focuses on being a volunteer when delivering the day-to-day services.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[0.1 What is this thing called governance?](#)

[1.3 The rules](#)

[4.2 Conflicts of interest](#)

[3.5 The annual work plan](#)

Sport NZ resources

Directors assisting outside the boardroom (policy)

<https://sportnz.org.nz/assets/Uploads/Service-outside-the-boardroom-policy-guidance.docx>

Committee terms of reference – included in the board charter and policies

<https://sportnz.org.nz/assets/Uploads/Board-Charter-2018-Financial-Governance-Changes-to-Content-13032019.doc>

0.3 WHAT IS POLICY?

The very first thing a board needs to do is state its intent in policy terms.

Before any other work is done, the board must do its job first. This core task can be summarised in the organisational statement of intent. This will include:

- Purpose** Why do we exist and what is the change we are trying to make in the world?
- Outcomes** What will that change look like written in outcome terms?
(See I.1 The strategic plan)
- Strategy** What are the key high-level strategies to be pursued?
- Values** What do we believe in and how do we want to do business?

It is not well understood that this is policy, an expression of the board's beliefs and values.

Ends policies

What is the end point of our work and what does it look like? Ends policies include purpose, outcomes and values. Every organisation has some beliefs and things that it holds close. These should be discussed and written down. They form a box or framework which guides the action for anyone within the organisation. They might include how we treat our volunteers, whether we take pokies money, what behaviour is acceptable on the side-line – could be anything really.

Connection to management

It doesn't matter if you have paid staff or the legwork is done by volunteers. The board needs to frame how much discretion there is to act. This combined with the overarching guidance of the Ends policies ensures the board has set and maintains control over the operation of the business. These policies are set out as specific delegations to management or as guidance on the freedom to act, known as 'limitations'.

It is more empowering to staff to set what is to be achieved and encourage them to work out how to get there within certain boundaries, rather than prescribing how things must be done. Having limitations provides both excellent control for the board and a level of freedom for staff.

Some things, such as finance, will have exact levels of discretion. Others will be more generic – for example, 'you can design volunteer programmes as you see fit as long as they do not contravene our core stated values on dealing with these essential stakeholders'.

This is all work the board needs to do before digging into operational detail.

More information

Sport NZ has a wealth of governance resources and learning opportunities for directors. Links are provided throughout.

Related Governance Lite sections

- [0.1 What is this thing called governance?](#)
- [0.2 The role of the board](#)
- [I.1 The strategic plan](#)

Governance Lite Toolbox

- [0.3 Policies as remote control](#)
(Terry Kilmister on policy)

Sport NZ resource

Sample board charter (policy suite)
<https://sportnz.org.nz/assets/Uploads/Board-Charter-2018-Financial-Governance-Changes-to-Content-13032019.doc>

01

CLARITY AND COHESION

1.1

THE STRATEGIC PLAN

Your strategic plan tells your story to everyone interested. What change in the world do you intend to create, for whom and by when? And, importantly, how will you know?

A strategy focuses on the future and is designed from the perspective of its intended target, for example, the volunteer, participant, athlete or new player. It is a story that must make sense to people. It includes values that help guide the culture and ways of working in the organisation. This is important in both good times and tough times.

Governance check – setting outcomes

Outcomes are the changes you intend to make within your community (described as ENDS). An outcome clearly states what, for whom, by when and how you will know.

This is an outcome:

By 2023, 65% of children aged 12 in the Waikato region will be able to swim 200m.

Your strategy outlines how you will get there (MEANS).

The board owns the top end of the plan: purpose and key outcomes. It must do this part first. The next step will depend on the size of the organisation. If you have staff, they will do a lot of the detailed work and come back to the board with options to discuss. If there are no staff, then you need to do all the heavy lifting. The board ensures strategies are focused on outcomes. Things must be measured – it is the job of the board to see you are on track and, if not, what should be changed.

Governance check – why are we not there yet?

Strategies respond to known challenges. The world is not perfect and there are reasons why we have not already achieved our goals. What are those things and in what way do our strategies assist in addressing those challenges?

Strategies must also be realistic. It's not a one-size-fits-all activity. It's important to know what you can and cannot control and influence. If there are major assumptions that sit behind your strategic choices, make sure they are clear, understood, and revisited from time to time.

Governance check – strategy is about choice

Remember creation of strategy is about making choices. What is the best option, given our resources, to achieve the goals we have set?

There are several useful frameworks and models that can be used to help strategic thinking and many organisations use external facilitators to help them with the process.

Once the strategy is complete, the team delivering the day-to-day services uses it to develop and implement the action plan, reporting progress regularly to the board, together with any changes in the environment that impact on delivery of the strategy. Strategic thinking is ongoing within the board but there should be pre-planned times to formally review progress.

A strategy-on-a-page can be developed as a marketing and communications tool, clearly and succinctly expressing at a glance what you're aiming to achieve. This helps bind the organisation's people together. It's also a valuable document to share with external stakeholders including participants, partners and funders.

Governance check – whole-of-sport plans

Some codes develop an overall strategy for their sport. All of the entities (regions, associations, clubs) provide input into the strategy and then develop plans that align. This means everyone can focus on the few (agreed) important initiatives that will deliver the greatest results. It also means everyone has a different but linked part to play and the wider organisation is using scarce resources to best effect.

BUT remember you still need your plan for your organisation so that the board can track your progress.

Key questions (in order of priority)

- *What is our purpose? – the change we exist to make*
- *What is our vision? – our compelling story*
- *What do we want to achieve? – stated as outcomes*
- *What is the best activity to concentrate on? – strategic choice*
- *What do we need to stop doing? – prioritisation*
- *How will we know when we get there? – measures*
- *What are our values? – how we behave in the world*

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[1.2 The action plan](#)

[1.4 Preparing a budget](#)

[3.5 The annual work plan](#)

Governance Lite Toolbox

[1.1 Statement of strategic intent](#)

[1.1 Hockey NZ - Our 2020 strategy](#)

[1.1 NZ Pony Clubs Association - Strategic plan May 2018](#)

Sport NZ resources

Planning for clubs

<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/planning-for-clubs>

Planning in sport

www.sportnz.org.nz/planning

1.2

THE ACTION PLAN

The action plan (business or operating plan) outlines the tasks and who is responsible for doing each task, so that your organisation can achieve its strategic outcomes.

Now you have set the direction for your organisation (the strategy) and agreed measurable outcomes, it's time to create the detail and outline it in your business plan. Your strategy may have a three- to five-year view, but the action plan is generally a one- or two-year document. The size of your organisation will influence the sort of plan you need and who develops it.

A business plan starts by restating the top-line outcomes and the key strategies you have agreed on in order to achieve them. The tactics, programmes and events that you intend to deliver are organised under these headings. This allows the board to see how the various operational activities are contributing to the desired outcomes (or not). The plan will assign resources and note who is responsible for each programme or activity. Larger organisations may have separate plans for marketing and other areas of the business. Commercial activities (e.g. a licensed bar) will be separated out in the plan to show their overall contribution to the plan.

The final name of the document and the format used are less important than the process followed to prepare it, as long as it enables your board to understand how you are tracking towards your outcomes.

The plan needs to provide enough detail to guide everyone in your organisation to deliver the activities that will ensure your strategy is successful.

It's very easy for a board to think it should own the business plan as well as the strategy. If you have staff, this is their document and they are accountable for the success of it. They need to be able to make changes to the plan without having to come back to the board all the time. That discretion is always within boundaries set by the board.

It is the board's job to focus on the few activities that will deliver the most benefit, ensuring you are confident the organisation has enough money and people to deliver the work, keeping track of progress and acting quickly if things aren't going as planned.

Governance check

A board's focus is a helicopter view, monitoring progress and making sure the organisation is always heading in the right direction.

If you find yourself as a board focusing on activity rather than outcomes, you have moved into the role of those who work in your business day-to-day.

Your business plan should state

- Outcomes to be achieved
- Key strategies or strategy groups
- What tasks need to be undertaken
- Who is responsible for each of the tasks
- When the tasks will be completed
- How much resource (financial or other) will be needed to complete each task.

Key points (in order of priority)

- Ensure the plan defines and separates governance and operational work.
- The person(s) managing your organisation on your behalf is responsible for developing the plan. They own the plan.
- Ensure the resources (financial or other) align with the priorities expressed in your strategic plan.
- Regularly review progress.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[1.1 The strategic plan](#)

[1.4 Preparing a budget](#)

[4.1 Financial accounts and reporting](#)

Governance Lite Toolbox

[1.2 Action plan template](#)

Sport NZ resources

Planning for clubs

<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/planning-for-clubs->

Planning in sport

www.sportnz.org.nz/planning

1.3

THE RULES

Your founding document, generally a constitution or trust deed, outlines the contractual agreement between the owners and the organisation.

Sport and recreation organisations in Aotearoa New Zealand are generally formed as either an incorporated society under the Incorporated Societies Act 1908 or a charitable trust under the Charitable Trusts Act 1957. Both can also be registered as a charity if they can demonstrate they have charitable purposes as described in the Charities Act 2005. This is particularly useful to provide a means of receiving donations and protecting significant assets.

An incorporated society is controlled by a governing board or governing committee and is accountable to its members. A charitable trust is controlled by its trustees.

The constitution (sometimes known as rules) or trust deed are both legal documents that describe the contractual agreement between the owners and the organisation.

For incorporated societies the owners are the membership. For trusts the owners are the beneficiaries (the people the trust was set up to benefit). These documents should refer only to matters relating directly to owners' interests. These are limited to:

- how membership is attained or removed
- how members control board composition and other office holders
- alteration of the constitution
- guidance for general meetings
- winding up the organisation.

The rules shouldn't describe everyday operational matters. While they may be of interest to the owners, they are outside the purpose of the core legal document. Such areas are covered as policies, regulations or bylaws.

Key points (in order of priority)

- A clear set of rules, constitution or trust deed ensures that the contractual relationship between the owners and the organisation is clear to everyone.
- These are legal documents governed by specific Acts of law.
- As the governing body you need to understand these documents and comply with them.
- Your legal contract with the owners should be reviewed from time to time.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite section

[0.1 What is this thing called governance?](#)

Governance Lite Toolbox

[1.3 Incorporated society constitution example \(NSO\)](#)

[1.3 Charitable trust deed example \(RST\)](#)

[1.3 Athletics NZ - Guide to using the template club constitution](#)

Note: With imminent changes to the Incorporated Societies Act, good advice is needed for any new or redrafted documents.

1.4

PREPARING A BUDGET

Your budget is both a planning and a control mechanism.

As the board you need to assure yourselves and your stakeholders that you are meeting your legal obligations to run your organisation in a financially responsible and sustainable way.

To do this, it's important to receive relevant financial information presented in an easy-to-understand format so you can make well-informed decisions.

A budget helps you do this. It's your financial plan, aligned with your organisation's strategic plan, that translates activity into financial measures including:

- how much income your organisation expects to receive during the next financial year
- how much your organisation expects to spend in the next financial year
- the predicted surplus (profit) or deficit (loss) for the year.

The process of budgeting, usually annually, can be delegated by the board to a budget committee, or management where present. It is presented to the governing group for review, discussion and amendment until the board is comfortable adopting it.

The task of executing the business plan using the resources provided by the budget is then delegated to the people who work day-to-day across your organisation.

At periodic meetings (every four or six weeks usually), the board should review progress against the budget. To ensure this is done accurately, yearly budget allocations are broken down into monthly figures. These are then reviewed against what occurred, and the reasons for any differences or variances can be explained. These differences can then be considered quickly, and changes made to ensure money is being used responsibly. If budgeted revenue does not eventuate then costs need to be reduced.

While it's usual to budget to break even or preferably deliver a surplus, there may be times when you budget for a loss. You also need to separate out capital expenditure (big items) from operating expenditure (day to day). Both require cash being available.

You can only budget for a loss if you know you have money in reserve.

Otherwise you are knowingly operating without an ability to meet your obligations. This is called trading while insolvent and is a clear breach of your duty as directors.

Governance check

Useful questions to ask yourself when you're reviewing your budget:

- *Does this budget enable us to best meet our strategic outcomes? If not, what do we need to change?*
- *Is there a clear link between outcomes and resource being applied?*
- *Is this the most cost-effective use of our resources and how do we know?*
- *Are the income targets realistic? If not, forecast down.*
- *Are we minimising unnecessary costs?*
- *Are we spending time and money on things that are 'off strategy'?*
- *What contingency is built into the budget to cover unexpected costs? Is it sufficient?*
- *Have we saved enough money for a rainy day? Is it sufficient to cover any potential losses?*

Key points (in order of priority)

- Your organisation's annual budget should align with your strategy and action plan.
- The budget is where the action plan is translated into financial measures as a means of ensuring your strategy and organisation are financially viable.
- Having a budget allows for meaningful reporting and provides a way of taking action if there are major variances.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[1.2 The action plan](#)

[4.1 Financial accounts and reporting](#)

Sport NZ resource

Accounting for non-accountants – Chapter 2 Budgeting

<https://sportnz.org.nz/managing-sport/search-for-a-resource/tools-and-resources/accounting-for-non-accountants>

02

PEOPLE

2.1

RECRUITING FOR YOUR BOARD

Governance is a team game. How people at the table contribute their skills and perspectives determines the success of your group.

Board recruitment is board led by one or more of your team. It is not delegated to staff.

No matter the size of your organisation, this is an opportunity to put your organisation's best foot forward. Be courteous, respectful and professional – first impressions count.

A thorough and public recruitment process will help to get the best people available.

Before advertising

- Check your organisation's rules, trust deed or constitution. This will determine how someone can become a member of your board (e.g. elected by the members or appointed by an appointments panel or both).
- Use a skills matrix. Check the balance of skills against your strategy and the challenges you face.
- What gaps do you have and what new skills do you need to recruit in for the future? Consider diversity of gender, culture and ways of thinking.
- Review and update any other documents you want potential new group members to view when considering your organisation, including position descriptions, commitment letter, code of conduct, etc.

Advertising and selection

- Prepare a plan for the recruitment process that includes the timeframes for advertising, short listing and interviewing and identifies who will be involved at each stage.
- Prepare an advertisement for the role(s) that sells the benefits of joining your organisation. Get someone good with words to look it over.
- Place your advertisement where it will best reach your intended audience. Options include using existing contacts and networks within and outside of your sport, and advertising in local publications and on your national and regional sport's websites.
- Organisations with staff and a board operating primarily in the governance space can use Appoint Better Boards at no cost.
- Develop simple shortlisting criteria, interview questions and reference-checking questions based on the position description for the role(s) and the skills matrix. Use the same simple, consistent rating system (e.g. 1-5) for rating the candidates at all stages of the process.
- Shortlist, then interview, candidates (face-to-face interviews are best practice) and complete reference checks.

Governance check – be professional

Remember, be professional and courteous with all candidates, replying promptly and explaining, if asked, why they have not been successful. Some may not be right this time, but you would like them to remain interested. Others you want to ensure feel respectfully treated. A phone call to unsuccessful candidates on the short list is good practice.

Appointment

- Ring the successful candidate and offer the role. Once the offer is accepted, communicate with the candidates who were not successful.
- Follow up the verbal offer with a letter of appointment and other key documents (e.g. the board code of conduct).
- Prepare and action an induction programme for the new appointee that includes meetings with your key day-to-day staff and other members of your board (and a session on policies and processes).
- Maybe assign a board buddy until they have got up to speed.
- Communicate the new appointment to your stakeholders and staff before the new appointee starts.

Key points (in order of priority)

- You should strive to be an expert team, not a team of experts.
- It's important to get the right people around your table.
- Your board's recruitment process should be outlined in your trust deed or constitution.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[2.3 Simple skills matrix](#)

[2.4 Induction programme](#)

Governance Lite Toolbox

[2.1 NZ Pony Clubs Association - Advertisement for board members](#)

[2.1 NZ Recreation Association - Appointed board member advertisement](#)

[2.1 Overview of the recruitment process](#)

[2.1 NZ Pony Clubs Association - Letter of appointment example](#)

Sport NZ resources

Board service commitment letter

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Commitment-letter.doc>

Module 3 of Governance IOI – Sport NZ's free online training course

<https://www.sporttutor.nz/pages/coursedescription.jsf?courseId=112261&catalogId=268432>

2.2 ROLE DESCRIPTIONS

Role descriptions outline the duties, responsibilities and expectations for directors.

A general outline of roles and responsibilities of the board should be found in your constitution or trust deed. Detailed expectations are best located in a board charter or policy manual. Each position such as director, chair, president, treasurer will have its own position description outlining the expectations associated with the role, including time commitment, duties, behaviour and specific policies such as conflicts of interest.

Position descriptions help potential directors to understand what is expected of them before they apply. They help ensure people are suitable for the role and make expectations clear upfront.

Current directors can usefully review their own position description from time to time as a reminder of what they're being asked to do.

Role descriptions are formally signed by each new member as part of their letter of appointment when they're accepting the role and ideally on reappointment.

Role descriptions should be reviewed regularly to ensure they remain relevant to the organisation's purpose and consistent with legal obligations.

Key points (in order of priority)

- The role description outlines the duties, responsibilities and expectations of your directors, and will include elements such as the term, time commitment, handling of expenses, etc.
- Role descriptions should be aligned with your main governance documents.
- The description should be formally signed off by each board member.

Governance check – expectations upfront

Everything should be on the table on appointment. People need to know what they are up for. No one likes the rules changing at half-time.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite section

[1.3 The rules](#)

Governance Lite Toolbox

[2.2 Sport NZ - Club secretary job description example](#)

[2.2 Sport NZ - President or chair job description example](#)

[2.2 Sport NZ - Treasurer job description example](#)

Note: These are largely for fully voluntary organisations.

Sport NZ resource

Director position description

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Role-description-for-a-director.doc>

2.3

SIMPLE SKILLS MATRIX

A good balance of skills around the table means you're well placed to deliver on your organisational purpose and strategy.

A simple skills matrix is a good way of helping boards think about what that mix should look like. It considers the right balance of skills, for example, governance, legal, financial, marketing and people leadership, as well as particular areas of sport or recreation.

It's important to balance these skills with diversity in gender, background and ways of thinking.

Governance check

Reviewing your skills matrix is something that is done at least annually, whenever your strategy changes and when you are needing to change the make-up of the board. The board can assess themselves against the matrix and identify any gaps.

Often overlooked is the importance of the 'soft' skills of your members, their fit with your organisational culture and how they balance the team. Some attributes worthy of consideration include self-awareness, integrity and high ethical standards. The personalities and behavioural types present will impact meeting dynamics, so attention should also be paid to these qualities.

Key points (in order of priority)

- A skills matrix is a quick way of establishing if there are any gaps in your governing group.
- Consider what experience, competencies and skills your group needs.
- Think about the culture you want to foster.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite section

[2.2 Role descriptions](#)

Governance Lite Toolbox

[2.3 Sport NZ - Board needs matrix template](#)

2.4 INDUCTION PROGRAMME

An induction programme gives new people the best chance to come up to speed with your organisation and become effective contributors in their role.

Induction should cover your organisation's statement of intent (purpose, vision, outcomes and key strategies), the environment the organisation operates in, the board's policies, an outline of key stakeholders, and the staffing and structure of the organisation.

Governance check

All new members should receive an induction pack which includes the organisation's:

- constitution or trust deed
- charter or governance policies, rules, deed or constitution
- strategic plan, outcomes and measures
- operational plan
- current and recent meeting papers
- significant papers or proposals
- most recent financial statements
- organisational chart
- contact details for fellow directors, key staff or volunteers
- glossary of key terms, definitions and acronyms
- meeting schedule and annual work plan
- list of key events.

The new member should meet with the chair to learn about board policies, ask questions about how the board works, and discuss any key challenges the organisation is facing. This is also a valuable opportunity for the chair to get to know the new member and what they may contribute to facilitate an easy and comfortable transition to the organisation. If potential conflicts of interest have not been raised in the interview, this is a good time to flag them.

Time should also be set aside for the new member to meet with key staff and volunteers. This is an opportunity to hear about the organisation from their point of view and to learn about expectations of the governance group.

Some organisations provide an induction for prospective new directors (before recruitment).

It can be helpful to assign a 'buddy' director to answer questions during the first few months of the director's term.

Key points (in order of priority)

- An effective induction programme quickly brings your directors up to speed and contributing to the board's work.
- The programme should be well structured and include a comprehensive induction pack.
- The induction should also include an introduction to members of staff and volunteers.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite section

[2.1 Recruiting for your board](#)

Governance Lite Toolbox

[2.4 Sport Wellington - Induction process](#)

03

INSIDE THE BOARDROOM

3.1

MAKING MEETINGS COUNT

Did we use our time well, did we add value, did we enjoy ourselves?

Your meetings should be stimulating, challenge current thinking, lead to good decision making and ultimately be a positive experience that creates value for your organisation and delivers satisfaction to your board who generously donate time.

This is achieved through focus on the two key governance tasks, which are:

- the strategic outcomes you want to achieve
- those things that might prevent you achieving these.

Many boards of small organisations have to think about and get involved with the day-to-day activities, so it can work well to split your meeting into two parts: the governing part first, followed by the day-to-day work. Having a break between the two is a good way of reminding you about the different roles you are in. If there is a senior staff person, they might chair the second part to help make the point that you are now acting as volunteers not directors.

Meeting logistics

This will be different for each organisation. The important thing is to set up a process that allows the board to use its time wisely.

How often do you meet?

You should meet as often and for as long as it takes to carry out your governance duties. A six-weekly cycle is common in all sizes and forms of organisations – it is often enough for urgent matters to be dealt with, and relieves the pressure on your day-to-day staff that preparing for and attending more frequent meetings would bring.

Where does the meeting take place?

Face-to-face meetings allow for full communication and understanding so are ideal. However, for practical reasons many small organisations have a mix of face-to-face, conference calls and digital meetings using Zoom or Skype.

How long is the meeting?

A board that meets for less than two hours is unlikely to have time to give to effective decision making and direction setting. Meetings that are too long risk the members getting into unnecessary detail. A good agenda ensures meetings are engaging and run to time. Boards have only two to three hours of capacity for genuine focus.

The meeting

Good meetings are supported by:

- the presence of all members
- a culture of cooperation and respectful behaviour while encouraging debate
- an annual work plan that is followed
- a well-chaired meeting process that remains focused and allows members to participate fully
- a well-thought-out agenda that flows, starting with the important strategic matters
- concise and relevant meeting papers that have all the necessary information, are easy to read and understand and address strategic outcomes and direction
- papers that are set against outcomes and support the work of the board, and are not merely commentary on management activity
- a well-prepared board – everyone has read all meeting papers and is fully engaged
- a process for managing any conflicts of interest
- constructive discussions that stick to governance matters
- clarity on how the board makes decisions
- more discussion about the future than the past
- an action list that focuses on the few most important things to monitor and is checked at each meeting.

Governance check – do your meetings have:

- *A work plan or rolling calendar?*
- *An agenda that starts with the most important things (can include timings for each item)?*
- *Prompt and relevant meeting papers?*
- *Minutes?*
- *An action list?*

Key points (in order of priority)

- Planning and preparation are key to an effective meeting.
- Clear procedures will ensure the meeting runs smoothly and avoids surprises.
- Good culture and behaviour will give members a positive experience and ensure that all the members are fully engaged.
- Splitting your meetings in two, so you start with governance work before moving to operational matters, will help highlight the organisation's governance function.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[1.2 The action plan](#)

[3.2 The agenda](#)

[3.5 The annual work plan](#)

[4.2 Conflicts of interest](#)

[4.3 Evaluating meetings](#)

Sport NZ resources

Nine Steps to Effective Governance (fourth edition)

Step 2 – Develop the work plan

Step 3 – Make meetings count

<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/nine-steps-to-effective-governance-building-high-performing-organisations>

Decision making

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Discussion-paper-on-decision-making-incl.-sample-board-paper.docx>

3.2 THE AGENDA

A well-structured agenda focuses the board's attention on the things that add the most value to the organisation.

The chair sets the agenda, which outlines the structure and flow of meeting items.

Where there are staff, this is generally done in consultation with the senior staff person. Board members can be canvassed for items as well. The final agenda and papers are sent out in good time so people can be properly prepared.

It's best to start with strategic topics (activity that helps to achieve your agreed long-term outcomes) when people are fresh and there is enough time for discussion and debate. The role of the chair is key in keeping discussion on topic, managing time, managing conflict, summarising agreements and ensuring the discussion is fair and thorough.

The use of a 'consent' agenda for routine items such as monitoring, reports, and other compliance topics is helpful. Grouped together at the end of the meeting they can be passed in one motion or decision. This saves time but relies on everyone reading papers thoroughly in advance. This rolls together 'for noting' material, reports that require no board action and even confirmation of the minutes.

This frees up time for important items.

Summary of key agenda items

The key agenda items, in suggested order, are:

- date, time and place of the meeting
- conflict of interests register
- risk register (major variance should be in management reporting)
- key agenda items (strategic matters)
- management reports (including financial accounts or statements)
- action points from the last meeting
- minutes of the last meeting
- 'for noting' and 'for information' material.

Governance check – work on the business not in the business

Some common pitfalls in meeting content to watch out for are:

- *revisiting earlier decisions through the minutes or matters arising*
- *tabling unnecessary correspondence*
- *staff reports not written in a governance context and without purpose (e.g. information backgrounders)*
- *financial reports that are too detailed*
- *presentations that aren't relevant to governance.*

Key points (in order of priority)

- The emphasis of the meeting should be on looking forward not backward (ideally the majority of time is spent on things yet to happen).
- The agenda is the responsibility of the chair and should be well structured.
- Agenda and meeting papers should be distributed well in advance, allowing time to prepare effectively for the meeting.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[3.1 Making meetings count](#)

[3.5 The annual work plan](#)

[4.1 Financial accounts and reporting](#)

[4.2 Conflicts of interest](#)

[4.3 Evaluating meetings](#)

Governance Lite Toolbox

[3.2 Agenda template](#)

Sport NZ resources

Writing board papers

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Board-paper-structure.doc>

Also see Step 3 in Nine Steps to Effective Governance (fourth edition)

<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/nine-steps-to-effective-governance-building-high-performing-organisations>

3.3

THE MINUTES

The minutes are the summary of the board's thinking, recording decisions and how they were made.

Minutes are important. Once they are confirmed, there should be no doubt about what was decided, how the decisions were made and what actions flow from them.

If there is ever any dispute about the work of the board, the minutes are the reference point. If major decisions are made or serious issues (crises/risks) are addressed, the board's thinking should be recorded. If any director does not agree with a course of action, that dissent should be recorded in the minutes. It is important to see in the minutes that the board is regularly considering its obligations (e.g. in relation to health and safety).

In a small or voluntary organisation, it is common to include a list of actions serving as a to-do list that can be ticked off at the next meeting.

It's not advisable for the person leading the meeting to take the minutes – this is best done by someone independent from the decision making.

You don't have to record everything that is said or happens during the meeting; just keep it concise and summarise the key points.

The minutes should include:

- the date and time of the meeting
- the meeting lead or chair's name
- who attended the meeting
- any apologies made in advance for not attending
- anyone leaving part of a meeting and/or before the meeting ends
- the purpose of the meeting
- the agenda items and decisions made under those items
- the board's thinking on significant issues/risks
- conflicts of interest and how they were managed
- assigned action items.

The minutes are official documents, so it's a good idea to follow a simple template.

The minutes should be written up and sent out to everyone who was at the meeting as soon as possible to check that they reflect what took place, before people forget. This includes the actions.

Governance check – make sure the minutes are stored in a central place

At the next meeting, the minutes are signed off by the chair, or another member of the group who was present, as an accurate record of what took place, and should be filed in a safe place. You may be asked to produce the minutes as part of the annual review or audit.

Key points (in order of priority)

- The minutes are an accurate record of the decisions made (and how when necessary) and assigned actions.
- They document the board's due diligence across its legal obligations.
- They reduce any possible misunderstandings or disagreements.
- They keep everyone on track.
- It's not necessary to record everything that happens.
- The minutes should be sent out soon after the meeting to everyone who was present, so they can check accuracy.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[3.1 Making meetings count](#)

[4.2 Conflicts of interest](#)

[4.3 Evaluating meetings](#)

Governance Lite Toolbox

[3.3 Keeping minutes](#)

[3.3 Minutes template](#)

3.4

THE ACTION REGISTER

An action register (to-do list) records the key things to be done after the meeting.

Board meetings are about bringing information to your meeting in order to make the best decisions. Actions or next steps naturally fall out of the group discussion.

It is important to capture those few actions that will make the most difference to your organisation.

Developing a register helps save you, your staff and volunteers time and provides your board with a tool to monitor progress.

For a register to be effective, it needs to be specific, concise and without abbreviated instructions. People can easily forget what was agreed and related details. Anyone should be able to read the action without having to refer back to the minutes to understand it.

To help monitor progress, it's important to include who's responsible for the action and the timeframe for its completion.

The biggest risk is having a long list of actions that aren't relevant and take busy people away from focusing on what's most important. Reviewing the actions at every meeting and removing those that are not relevant and those that have been completed will help reduce this risk. Adding things that are unrealistic or lack resource to be carried out is unhelpful. If items are repeatedly being carried over from one meeting to the next, ask why.

Governance check – things to include in the action register

WHAT is to be done

WHO is to do it

BY WHEN will they complete the action.

Key points (in order of priority)

- Actions drive your organisation forward.
- An action register records what needs to be done following the meeting.
- The register is a useful tool to monitor progress.
- Don't let to-do list items keep rolling over. Ask why these items are not being actioned.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[3.1 Making meetings count](#)

[3.3 The minutes](#)

[4.3 Evaluating meetings](#)

Governance Lite Toolbox

[3.4 Action register template](#)

3.5

THE ANNUAL WORK PLAN

The annual work plan helps the board shape its year, ensuring all the key tasks are covered off in a planned way.

The first step is setting the dates for the year in advance. Your directors are expected to make it a priority to attend meetings so planning well ahead helps everyone. Then break up the key tasks and balance them across the year.

These will include:

- the things the board must do because it is legally and contractually obliged to (e.g. health and safety, financial oversight)
- the things the board must do to ensure the organisation achieves its purpose and strategic outcomes (e.g. strategy development and review)
- key events (e.g. the annual meeting, championships, national championships, annual awards).

It's useful to put a draft plan together by brainstorming with your management staff and volunteers on all significant events and duties to be attended to in the coming year. This helps everyone understand what will be done and by whom, and helps ensure nothing important is missed.

Most important in the plan is time for thinking. What are the two or three big challenges you face or major changes in your world? Schedule these for discussion. Encourage staff and directors to research and prepare and bring ideas to the table. You don't need to make decisions at these sessions, but you will be more informed as a group and equipped to make better choices later.

Governance check

Like the agenda, the plan is most useful when it focuses on the most important things – those that, from a governance perspective, will make the most difference. Reviewing it at each meeting will provide focus and ensure nothing is missed.

Typical items in the plan include:

- the Annual General Meeting (AGM), including preparation activities such as notifications and nomination processes
- committee meeting dates
- performance appraisal dates for your senior staff person
- in-depth check-in on health and safety
- thinking sessions on key issues
- adoption of the business plan and budget
- annual strategy review
- dates for retirement/selection of new members
- consultation with key stakeholders
- meeting with the external auditor
- signing off of the annual report
- review of governance policies.

Key points (in order of priority)

- A work plan ensures your board remains focused, controls its own business and addresses matters essential for effective governance.
- The plan should have input from your management, staff or volunteers.
- The work plan contains key dates and milestones.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[3.1 Making meetings count](#)

[4.3 Evaluating meetings](#)

Governance Lite Toolbox

[3.5 Annual work plan example](#)

3.6

RISK MANAGEMENT AND THE RISK REGISTER

Risk management deals with uncertainty, prevents harm and maximises opportunity.

A risk is an uncertain future event that could impact on your organisation's ability to achieve its strategic outcomes. These can be external risks such as changes in the way people want to participate, as well as internal risks such as loss of key people in your organisation.

Risk is also opportunity risk. Organisations have different appetites for new initiatives and your board must decide what is comfortable for you.

Governance check – not just defence

Too many organisations view risk as simply a defensive tactic. In reality, risk is trying to get ahead of uncertainty. In this sense it is actually an offensive tactic.

Having an effective system helps to identify and review the main risks your organisation faces. It helps you clarify potential threats, uncertainties and opportunities that might impact your organisation.

It also helps you work through how you want these risks to be approached: by identifying and prioritising risks, determining how to reduce their impact and deciding who has responsibility.

Governance check – four steps

IDENTIFY the risks

PRIORITISE the risks (ranking them by likelihood and scale of potential impact)

ESTABLISH the controls that will mitigate the risks

CONFIRM who owns the risk.

The Health and Safety at Work Act 2015 has highlighted the importance of risk management at a governance level. The Act has clear and specific accountabilities that your board must understand. It is essential your board is asking the right questions to demonstrate that you take risk generally, and health and safety specifically, extremely seriously.

Governance check – health and safety

It is the responsibility of the board to ensure that adequate health and safety systems are in place to manage risks in your environment. The board should check regularly that these are widely understood and adhered to.

Key questions

- Are we keeping ourselves fully informed of the risks affecting our organisation?
- How do we assure ourselves the systems in place are working properly?
- What steps are we taking to ensure we are up to date with changes in our sector and the wider environment?
- Are we well placed to take advantage of any possible opportunities?
- What are our top five risks and what are we doing about them?

Key points (in order of priority)

- Risk is an uncertain future event that could impact on your organisation's ability to achieve its objectives.
- Risk is also uncertainty about future opportunities.
- Your role is to ensure that processes are in place to monitor risk and that adequate mitigation is in place.
- A risk register is a good way of achieving this, but don't rely on just reviewing it – keep considering the wider environment.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

- [1.1 The strategic plan – this is your key document to deal with future risk](#)
- [3.5 The annual work plan](#)

Governance Lite Toolbox

- [3.6 Health and safety coordinator job description example](#)
- [3.6 Simple risk register](#)

Sport NZ resources

Health and safety for clubs
<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/health-and-safety-for-clubs>

Health and Safety Guide: Good governance for directors
(Institute of Directors and WorkSafe NZ)
https://www.iod.org.nz/Portals/0/Governance%20resources/Health%20and%20Safety%20Guide_Good%20Governance%20for%20Directors.pdf

3.7

THE ANNUAL GENERAL MEETING

The Annual General Meeting is when you report back to your owners or members on how the organisation is performing.

An Annual General Meeting (AGM) is a formal meeting held once a year with the owners of the organisation. It is a legal requirement for both incorporated societies and charitable trusts.

Your organisation's rules, deed or constitution will outline the timing and notice period, as well as how the meeting should be advertised and run.

The AGM acts as a review of the year. It can also be used to set the scene for the future and to celebrate your successes with your community, members and other stakeholders.

It is the time to present the annual report, including the annual accounts. Depending on your constitution, the annual meeting will elect some or all of your board.

Plan well ahead of time and ensure you are working in accordance with your constitution/deed. This means you are providing your owners/members/community with plenty of opportunity to participate by considering themselves for election to the board and providing input into any constitutional changes to be considered. Most importantly you're giving them notice to attend.

Governance check – what the AGM isn't

The annual meeting is the point of connection between the owners/beneficiaries and the organisation as defined in the constitution or deed. It is not an opportunity for them to manage the organisation in a detailed way. That is done by electing or removing the board, who are accountable to the owners. It should be a time for discussion and expression of views, but ultimately the owners delegate the running of the organisation to the board.

Key points (in order of priority)

- An AGM provides an opportunity to review the year and the annual accounts.
- It's an opportunity to celebrate the organisation's successes with your community, members, business supporters and partners.
- It also provides an opportunity to elect new board members.
- It is a chance to look forward and gain perspectives from your owners.

Governance check – be prepared for the AGM

A good AGM relies on a good chair. They need to be prepared and well briefed on what may arise at the meeting. Sometimes things get 'tense' and a knowledge of the constitution or deed is very useful. Often genuine issues are raised but they are not for this forum. Make sure there is a mechanism to recognise those concerns and deal with them in another way.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

- [3.5 The annual work plan](#)
- [2.1 Recruiting for your board](#)
- [4.1 Financial accounts and reporting](#)

Governance Lite Toolbox

- [3.7 AGM agenda template](#)

Sport NZ resource

How to run a meeting
<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/committees-roles-and-meetings>

04

INTEGRITY AND ACCOUNTABILITY

4.1

FINANCIAL ACCOUNTS AND REPORTING

All directors need a base-level understanding of financial accounting and a knowledge of where the organisation is placed financially at any given time.

Financial accounts inform the board about the organisation's recent financial activity, its current financial position and preferably what that might look like in the medium term. It's important every director keeps a close eye on the numbers, asking the right questions so you're confident that the finances are in good health.

Some useful questions can include:

- Where are we compared with our budget and what are the reasons for the main differences?
- Are we paying our debts when they are due and are people paying us on time?
- Do we have money in the bank to pay for everything we need to pay for (are we solvent)?
- Have there been any unusually large purchases that weren't signed off, or is there a large debtor who is not paying?
- Are we spending our money on the priorities we agreed in the plan, and if not why not?
- Where are we going to be in the medium term?
- If planned revenue hasn't come in, what is the balancing action on the cost side?

Governance check – say what information you need

It is up to a board to say what information it wants and in what form.

Get your financial report summarised and preferably displayed graphically against key measures.

Not everyone has financial skills at the level of an accountant. It is useful to have at least one person with those skills around the board table, but all directors should acquire a basic working knowledge of the accounts so they can ask the right questions. If necessary, they should undertake some simple training.

Monthly financial statements are easy to produce using modern software packages. However, boards should receive more than just a standard printout – the report should contain analysis and be clearly presented.

Financial reports

Your financial report will include these components:

Income Statement (also known as the profit and loss (P&L) report) – shows income and expenses for a set period of time in order to calculate the position against budget and allows you to track performance for the year.

Statement of Financial Position (also known as the balance sheet) – displays the various classes of assets, liabilities and equity (the difference between the organisation's assets and liabilities). From the balance sheet the current worth of the organisation can be understood. It also generates other important information such as the current ratio, effectively the short-term ability to pay the bills.

Statement of Cash Flows – shows the changes in the organisation's cash receipts (money in) and payments (money out) during the reporting period. It's a useful tool to use when planning spending. In organisations with lumpy cash flow, projecting forward the cash position is essential.

Aged Receivables – a report that summarises invoices due to be paid to your organisation. 'Aged' refers to the time that invoices have not been paid. It's essential to take early action in following up any payments that are older than one month, to prevent them from never being paid.

Aged Payables – a report that summarises what your organisation owes to other companies for supplies, inventory and services. Paying your debts as they are due is an obligation for all businesses. If this is not happening, it means things are not right: either there is a problem with the people dealing with the accounts and/or, worse, you have a solvency problem (lack of cash).

Audit or review?

It's important to know whether your organisation's accounts have to be reviewed or audited at the end of the financial year. This will depend on what your rules, deed or constitution says but more importantly what the law says.

Legally, if your organisation is:

- over \$500,000 (medium) – your financial statements must be either audited or reviewed by a qualified auditor
- over \$1 million (large) – your financial statements must be audited by a qualified auditor
- a Tier 3 charity³ that is required by law to have an audit or review – you will also have your non-financial information audited or reviewed
- a Tier 3 or 4 charity – you must submit an SSP (statement of service performance). This will be extended to Tiers 1 and 2 in due course.

The process and procedures are laid out by a set of statutory audit and review assurance standards (see link on page 41).

³ Tier 1: over \$30 million annual expenses or has public accountability.

Tier 2: under \$30 million annual expenses.

Tier 3: under \$2 million annual expenses.

Tier 4: under \$125,000 annual operating payments.

Threshold applies to the previous two financial periods, not the current period.

The year-end accounts are signed off by the board and presented to your members or owners at the Annual General Meeting. They are then posted on the Companies Office website for incorporated societies (see below).

It is recommended that you seek professional accounting advice to ensure you are complying with your legal obligations.

Key points (in order of priority)

- Financial accounts enable you to keep an eye on the money for your organisation.
- Make sure you ask questions and get extra help if you're not confident about accounts (this is your duty as a director).
- Each financial statement has a distinct purpose to inform you about various aspects of your organisation's financial position.
- Legislation determines whether your financial statements are to be audited or reviewed.
- The year-end financial statements are presented at the Annual General Meeting.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[1.4 Preparing a budget](#)

[3.7 The Annual General Meeting](#)

Sport NZ resources

Financial management for clubs

<https://sportnz.org.nz/managing-sport/search-for-a-resource/guides/financial-management>

Finance policies and templates

<https://sportnz.org.nz/managing-sport/search-for-a-resource/templates-and-examples/finance-policies>

Accounting for non-accountants – Chapter 1 Understanding financial statements <https://sportnz.org.nz/managing-sport/search-for-a-resource/tools-and-resources/accounting-for-non-accountants>

Audit and review standards

<https://charities.govt.nz/im-a-registered-charity/annual-returns/new-statutory-audit-and-review-requirements/>

Companies Office website

<https://www.companiesoffice.govt.nz/>

Incorporated societies

<http://www.societies.govt.nz/cms/incorporated-societies>

Charitable trusts

<http://www.societies.govt.nz/cms/charitable-trusts>

4.2 CONFLICTS OF INTEREST

Your legal obligations as a director state that you must not place your own interests ahead of those of the organisation.

Your board has a legal and moral responsibility to manage your organisation in the best interests of the community it serves. This includes behaving ethically in fulfilling your duties to the organisation, in your relationships with each other and to the community you serve.

An important part of this is to declare on an ongoing basis any conflicts of interest that might prevent you from demonstrating the required behaviour.

The New Zealand Institute of Directors (IoD) defines conflicts of interest as: A conflict of interest can arise where two different interests overlap or where a board member has multiple interests, one of which will or might impact the motivation for an act of another.

In small organisations many potential conflicts exist. That doesn't mean they can't be managed but they must be declared. It is best to declare upfront all the interests you have and let the wider group decide if they need to be managed. Usually this includes roles with other organisations, business interests and, importantly in sport, family members who are benefiting from the organisation's activities (often children in elite programmes). Potential conflict also extends to interest in a transaction that may have a financial implication for you, your family or a business you have an interest in.

The IoD provides a useful three-step process to help you remain transparent regarding conflicts, whether they are actual or potential. This includes declaring the conflict at the time you commence as a board member, and at each meeting, and recording this in a conflicts of interest register.

1. **IDENTIFY:** What would a reasonable person think? The board member identifies the conflict or conflicts using the 'reasonable person measure' in relation to their role and responsibilities.
2. **DECLARE:** If in doubt, declare. This is a useful starting point. You can also talk with the chair if you are not sure.
3. **MANAGE:** What is in the best interests of the organisation? The board collectively agrees on how the conflict should be managed. This may involve abstaining from voting, being absent while the matter is discussed, or simply being aware and transparent about the conflict of interest. In extreme circumstances it may mean taking a leave of absence or resigning from the board.

Governance check – record the interest

In all circumstances each conflict is declared to the board and recorded in the organisation's interests register.

Key points (in order of priority)

- An actual or potential conflict should be declared and managed at the start of a meeting and recorded in an ongoing conflicts of interest register.
- Check the register is up to date at the beginning of each meeting.
- If a conflict must be managed, the minutes should indicate how that was done.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[3.2 The agenda](#)

[3.3 The minutes](#)

Governance Lite Toolbox

[4.2 Conflicts of interest register template](#)

[4.2 Conflict of interest disclosure template](#)

Sport NZ resources

Conflict of interest disclosure

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Interest-disclosure-form.doc>

Register of interests

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Directors-register-of-interests.doc>

4.3

EVALUATING MEETINGS

The board should set standards for its own performance.

Every board should have a view on the standard it wants to operate at and check in against that. This can be a planned and formal review or a simple five-minute check at the end of each meeting.

Regular reflection will indicate how effective you are as a group and the need to develop further skills either individually or collectively.

Governance check

A quick five-minute review at the end of each meeting is a good discipline, with the following useful questions as a guide:

- How well did we cover everything today?
- Where did we add value to the organisation?
- What can we do better?
- Did we enjoy ourselves, and if not why not?

A more formal assessment can be done as part of an annual review. It can be done anonymously for you as an individual and for the group as a whole. It can then be collated by one person, who reports back to the group. It's also useful as part of this to review the chair and their performance.

While it takes courage to ask for and receive feedback, it is something boards expect their management team and staff to do. Role modelling the same approach for the board demonstrates leadership in people, culture and performance.

Sport NZ has resources that can help the board evaluate its performance. For slightly larger groups the online Governance Evaluation System has a full range of assessment modules. For smaller groups within the system there is a Nine Quick Questions module that is useful at any scale.

Key points (in order of priority)

- A regular review of your performance will help keep your meetings productive.
- Regular reviews will help you to track progress.
- The discussion after the review is what's important.
- The review is a tool to identify which skills and processes need improving.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite section

[3.5 The annual work plan](#)

Governance Lite Toolbox

[4.3 Evaluating meetings - review](#)

[4.3 Nine essential questions for a board](#)

Sport NZ resource

The Governance Evaluation System
<https://snz.directorevaluation.com/>

4.4 LEGAL COMPLIANCE

The board is required to ensure the organisation, including staff and volunteers, complies with all relevant laws and regulations.

The board has ultimate responsibility for ensuring, on a regular basis, the organisation has practical, thorough and well-understood systems in place for legal compliance. This includes reporting and managing any compliance risks.

This isn't a tick box exercise. It forms part of your organisation's wider risk management responsibilities with a focus on the law. It requires you as a group to ensure the relevant legal areas have been identified, processes and policies are in place, and reporting on compliance is regular and accurate. A key part of this is demonstrating how you manage any instances of non-compliance.

Below is a list of the main areas of compliance in the sport and recreation sector. It is not a comprehensive list, or a summary of your obligations. It is the board's role to add under these headings the various laws and regulations relevant to your sport. A useful example has been included in the toolbox.

Key areas of the law:

- Constitutional
- Employment
- Health and safety, including the wellbeing of people
- Taxation
- Individual rights
- Children and young people
- Commercial dealings
- Match-fixing and anti-doping
- Land use and events
- Buildings.

If you are unsure of what to do, seek advice early.

Governance check – this includes ethical behaviour

Rules and regulations are only part of the compliance mix. It's important to also consider the wider culture of the organisation and the importance placed on ethical behaviour.

- How do you maintain a values-based culture?
- How do you promote responsibility through the organisation?
- How does the board role model ethical behaviour?

Key points (in order of priority)

- You have a core duty to monitor and have oversight of compliance matters.
- It shouldn't be a tick box exercise; it must be relevant to the day-to-day running of your organisation.
- An organisation that complies with the spirit as well as the letter of the law sends a signal to stakeholders that it operates responsibly and ethically.
- If you are unsure, seek advice early.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite sections

[3.6 Risk management and the risk register](#)

[4.2 Conflicts of interest](#)

Governance Lite Toolbox

[4.4 Legislative compliance – a checklist for boards](#)

[4.4 The board's role in organisational culture](#)

Sport NZ resource

Module I of Governance IOI – Sport NZ's free online training course

<https://www.sporttutor.nz/pages/coursedescription.jsf?courseId=112261>

4.5 STAKEHOLDERS

The board needs to understand who its important stakeholders are and to have a plan to understand and stay in touch with them.

The board acts on behalf of its owners to create benefit for them. The organisation also has many relationships within the wider community: with funders, local authorities, sponsors, the media and of course with its own staff and volunteers. An organisation that gets out of touch with its various communities is on track for troubled times.

The stakeholder groups will have slightly different interests in your organisation but in general they will range across: are you delivering what you promised, are you behaving ethically and treating people well, are you listening to what the owners/participants/volunteers want?

Not all stakeholders are of equal importance and sometimes their interests may conflict with one another. Too few boards manage their stakeholders in a proactive manner. This needs a written plan outlining the importance of each stakeholder category and the type of relationship the board would like to see. It doesn't need to be complex – one page will cover it.

Governance check – this includes ethical behaviour

Are we only dealing with stakeholder issues when things turn bad and noisy rather than in a planned and proactive manner?

Key points (in order of priority)

- Make a list of your stakeholders.
- Group them into categories.
- Note the current and desired states of the relationship.
- Map some simple communication actions with names and timeframes.
- Have stakeholder relations as a regular agenda item.
- From time to time ask your stakeholders what they think of you.

Your key stakeholders need to be consulted on strategic direction and, most importantly, informed on how you are progressing. If things are not going to plan, tell people promptly and honestly.

Increasingly organisations are including a governance section in the annual report which notes how the board is contributing.

More information

Sport NZ has plenty of resources and learning opportunities for directors. Each resource sheet includes links to others in the Governance Lite set and to further readings and resources.

Related Governance Lite section

[0.1 What is this thing called governance?](#)

Sport NZ resource

Creating a stakeholder communications plan

<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Creating-a-Stakeholder-Communications-Plan.pdf>



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