Questions for sports bodies

A Code for Sports Governance – Tier 3

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If you have any feedback on the content of these resources, or additional questions that you'd like to discuss, please contact the SGA: **020 7612 7029** | **info@sportsgovernanceacademy.org.uk**

Questions for Sports Bodies: A Code for Sports Governance – Tier 3

Introduction

These series of questions are designed to help organisations implement the Tier 3 requirements of the Code for Sports Governance (the Code) and to prompt an assessment of governance arrangements more generally within individual sports bodies.

Each set focuses on one of the five principles around which the Code is built: Structure, People, Communication, Standards and Conduct, and Policies and Processes. They present a number of questions which sports bodies should ask themselves in order to begin an examination and appraisal of their governance structures and practices.

Publicly funded national governing bodies (NGBs) will need to comply with the individual funding agreements put in place with UK Sport and/or Sport England and these should take precedence. However, in answering honestly the questions suggested here, organisations can reflect on how they are run and identify areas for improvement.

Tier 3 represents the most stringent application of mandatory governance requirements in the Code. It encompasses those organisations in which significant investment of public money is being made. An investment will generally be categorised as Tier 3 if:

- the funding is intended to be granted over a period of years;
- the funding is granted for a continuing activity rather than a one-off project; and
- the total amount of funding is greater than £1million.

The Code advises that 'organisations receiving funding for significant, medium to long term activity should generally expect to be in Tier 3'. However, sports bodies need not be in receipt of public funding at this level in order to consider implementing those elements of good governance practice which are proportionate to their circumstances. The Code is aspirational and organisations should not be afraid to seek to put in place improved governance arrangements where it is appropriate to do so.

The requirements of Tier 3 of the Code will represent a step up for some organisations and may involve a more thorough consideration of governance than has been undertaken previously. Asking these questions – and seeking the answers to them – will help those with governance responsibilities to determine their place on the path to improved governance. This should also initiate a more detailed examination of practices and processes and of the culture and behaviour they underpin.

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The questions suggested invite a combination of open and closed responses, but even those with 'yes/no' answers should invite a more critical assessment of the circumstances which have prompted the given response. Further questions relevant to the areas covered here can also be found in separate sections on each of the five principles set out in the Code.

These tools can be used alongside other material in the SGA knowledge base covering specific areas of governance. They should, of course, be read in conjunction with the Code document itself which sets out in detail the principles and outcomes which organisations may aim for in pursuit of improved governance arrangements.

In addition to the requirements of the Code, organisations also have legal obligations under company, employment and/or charity law as well as safeguarding legislation. Board members must ensure that these are satisfied, as are the requirements of respective regulators.

Principle 2 – People

> Organisations shall recruit and engage people with appropriate diversity, independence, skills, experience and knowledge to take effective decisions that further the organisation's goals.
>
> **A Code for Sports Governance, Principle 2**

It can be argued that the most important factor in an organisation's governance is the people that lead and work within it. A decision-making body composed of skilled and experienced individuals who bring a broad range of perspectives and different ways of thinking and approaching problems will contribute to more effective leadership, making the organisation more adaptable in meeting the challenges it faces. A more diverse board will also reflect and be more able to engage with the community which the organisation serves and will demonstrate that the organisation is one to which that community can relate. This can confer legitimacy on the organisation and promote confidence and inclusivity among all those involved in the sport.

When considering who the best people are to lead an organisation, it is important to keep in mind the long-term strategic plan. Identifying where the organisation wants to go and what it wants to achieve should lead to an assessment of what skills are required on the board to realise those goals. This should prompt an honest appraisal of whether the current composition meets those needs and can be used to inform future recruitment processes. There is a growing awareness that policies and processes form only part of an effective governance apparatus. It is just as important that the behaviour, values and culture which inform all of an organisation's activities are embedded throughout the structure.

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Organisational culture is dealt with in Principle 4 of the Code (Standards and Conduct) and thus in a separate document. However, people are key to this: it is they who implement policy and engage with participants, supporters, coaches, volunteers, the public and a whole range of other stakeholders. Having the right people in place at all levels will ensure that what an organisation does and what it professes to stand for are in alignment.

Diversity

Code Requirements 2.1–2.3

Boards which combine skills and experience from both within and beyond the sporting discipline and bring together people from different backgrounds and with different perspectives on issues are likely to produce more rounded decision making. Robustness is added to the process by attracting those who are independent and are prepared to challenge – constructively – the arguments and assumptions of fellow board members.

Whilst the focus often falls on gender and ethnic diversity, it is beneficial for boards to consider recruitment of individuals beyond even the protected characteristics of the Equality Act 2010 and welcome the contribution which can be made by those from different socio-economic backgrounds, those at different stages of their careers, those who reflect the experiences of different parts of the community which the organisation represents, and those who exhibit different psychological attributes. This can lend legitimacy and credibility to the organisation as a whole and break down 'group think' within the decision-making body.

Further detailed questions relating to the composition of the board can be found in 'Questions for Sports Bodies, Principle 1 – Structures' in the SGA knowledge base.

Questions to ask

Attitudes and approach to diversity
- What motivation is behind the organisation's approach to the issue of diversity:
    - Compliance with the Code for Sports Governance?
    - Meeting specific gender and ethnicity representation targets?
    - Adherence to the Equality Act 2010?
    - Incorporating representation of all communities served by the organisation?
    - Improving decision making by drawing off a range of experience, personalities and viewpoints?
    - In addition to legal duties, using the role in an ambassadorial way in order to engage with particular groups and communities?

- Does the board periodically reflect on the issue of diversity both within itself and in the organisation more widely?
  - What findings or initiatives has this prompted in the past year?

- How often does the organisation undertake an equality and diversity assessment in order to ascertain any specific actions required to ensure that stakeholders and the wider community are reflected in its activities and decision making?
  - What were the findings of the last report and what changed as a result?

- When did the organisation last seek feedback from the community it serves in order to assess whether all voices are heard throughout the organisation? What were the key themes from the response?
  - What changed as a result?

- What activities has the organisation undertaken to ascertain perceptions of the sport among the public and stakeholder groups?
  - What has been learned from these exercises?
  - What has been done in response?

Board diversity

- Has the organisation achieved the Code's target of a minimum of 30% of each gender on the board?
- Is the target appropriate for your organisation, and why?
- What are the obstacles (if any) preventing the board reaching that target?
- What actions have been taken to meet this target and ensure that it is sustainable in the long-term?
- Can the Code's gender target be extended in order to achieve parity of representation?
- Is over-representation of one gender desirable in order to facilitate particular goals, such as increasing gender participation in the sport?
- What instances can be identified where the board's composition has either undermined or benefited decision making, communicating with stakeholders or reaching different parts of the community?
  - What lessons can be learned from such examples?

- Does the composition of the board mirror the diversity of those playing and supporting
- the sport?
  - In which ways?

- Can those communities not yet engaged in the sport look at the board and feel that they can relate to the organisation?

- What strategy does the organisation have in place for attracting board members from
- all parts of the community?
- Has the board mapped its stakeholders and identified those sections of the community which are currently under-represented?
- What activities are in place to reach out to those identified sections?
  - How successful have they been?

- Where directors are elected or appointed by the organisation's membership, what steps are taken to ensure that a diverse range of candidates are proposed?
- Are flexible and convenient board activities in place in order to enable participation by the widest possible range of board members?
  - This can include centrally-located meetings; venues which are accessible to all; meeting times which are convenient for a range of circumstances; board papers presented in different formats; mentoring programmes for those undertaking board duties for the first time; and the payment of travel, accommodation and/or childcare costs.

- Are efforts to increase diversity applied across the recruitment of both executive and
- independent non-executive members of the board?
- Are they replicated in other areas of recruitment – staff and volunteers? Does this adequately support initiatives to foster diversity?
- Is information relating to diversity on the board and within the leadership team, and the work underpinning this, made publicly available?
- Does this include clear statements on the steps taken to achieve diversity?
- Does the board have a plan to improve diversity and is success against those targets published and made available to the public?
- How are the board's diversity objectives monitored and reported to stakeholders?

Board recruitment

Code Requirements 2.4–2.12
Being vested with the responsibility for the performance, strategy and overall direction of the organisation, board members are central to the success of sports bodies. To have a positive effect on the organisation they must be able to deploy a range of skills and experience and contribute effectively both individually and collectively.

The recruitment of board members should be formal, open and well-documented, aligning the skills and experience available on the board with the strategic aims and requirements of the organisation. Conducting the search for board members within an open, wide-reaching, transparent and skills-based process will maximise the opportunities to attract the most

talented individuals to meet the organisation's challenges and also demonstrate that it is committed to inclusivity and openness.

Particular attention should also be paid to ensuring that the process for handling transitions on the board and within the leadership team operates smoothly and in line with the goals set in the strategic plan. Generating a pipeline of talent and identifying potential leaders both internally and externally will maximise effectiveness and continuity and can assist in targeting training and development programmes.

Questions to ask

Board skills and recruitment

- Does the organisation maintain a skills register detailing directors' skills, experience, knowledge and expertise?
- Is this updated annually, or to include new board members, training undertaken, or experience gained either in the organisation, externally, professionally, or otherwise?
- Are appointments to the board made on merit and in line with the skills audit findings, matching the required skills and experience on the board with the agreed strategic plan and identifying gaps in the current composition?
- When seeking new board members, are objective criteria set out in a role description and person specification in order to test applications against the needs of the organisation?
- Does this include an honest indication of the commitment involved, recognising that this will increase at certain points in the business calendar and at times of heightened activity?
- Are efforts to attract board members with the requisite skills and experience hampered by provisions in the governing document? If so, what thought has been given to amending the governing document?
- Does the governing document permit the co-option of board members?
  - If so, are their functions and voting rights established appropriately by the governing document?
  - What was the organisational argument for co-opting board members? Was it to address an immediate need or to fill a skills gap identified as part of the skills audit?
  - What were the reasons why those skills were not identified as part of the succession plan and recruited in the usual manner?

Advertising board positions and diversity

- Are board positions (including those of chair) advertised publicly and sufficiently widely to attract the broadest and best qualified pool of candidates?
- What consideration has been given to where and how board positions are advertised?

- Are different messaging and advertising methods used to target different types of candidates (being aware of avoiding positive discrimination)?
- Has the organisation made effective use of the following methods of advertisement, where appropriate:
  - National and local newspapers?
  - Sport England and UK Sport websites?
  - Print and online media, including newsletters, of sport sector press and umbrella bodies?
  - Print and online media of non-sport sectors?
  - Social media?
  - Professional brokerage services?
  - Recruitment specialists?

- What thought has been given to the language which is used in advertisements in order to promote inclusivity?
- Has the advice been sought of appropriate groups who are experienced in engaging with particular communities?
- Has a range of formats been employed, including but not limited to Braille, large text, and the use of multiple languages?

Nominated directors

- Where board members are elected by a constituent part of the organisation (nominated directors), are those eligible to vote able to make informed choices in the best interests of the organisation by being provided with objective criteria and role descriptions as well as the findings of the current skills audit in order to assess these against the qualities of the candidates who are standing for election?
- Does the process of electing nominated directors provide the board with all the requisite skills and experiences the organisation needs? If not, what could be done to improve the situation?
- How frequently have nominated directors been elected unopposed?
- What has been done to seek to avoid such situations, and can further steps be taken to encourage more candidates to stand in future?
- How frequently does the council (if the organisation has one) undergo evaluation in order to assess its effectiveness and representation of the wider stakeholder landscape?
- What actions have been taken – as a result of evaluation exercises or otherwise – to ensure that council membership reflects the stakeholders it represents and the wider community? What effect have these actions had?

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Nominations committees
- If a nominations committee is established, either as a permanent or an ad hoc body:
  - Does it review applications and provide quality, effective advice to the board (in the case of appointed board members) or membership (in the case of nominated directors) as to whether candidates fulfil the criteria required for the role?
  - Are a majority of its members independent non-executive directors?
  - Is it chaired by the chair of the board (except when dealing with the chair's successor, when this can be done by an independent non-executive director)?
  - Do its terms of reference cover committee membership, the framework for reporting and provisions regarding the conduct of meetings?
  - The committee should be regularly reviewed as part of a board evaluation or governance review.
    - What were the findings of previous evaluations?
    - What changes were made as a result?

- In both the appointment of independent directors and election of nominated directors, is the process fully documented with relevant and appropriate information about the appointments/elections and their processes made available to stakeholders?

Succession planning
- In what ways has the annual board evaluation (and periodically conducted external review, where appropriate) shaped succession planning?
- How are board reviews, skills audits and the strategic plan factored into succession planning?
- Are board members' terms staggered in order to balance renewal of membership with continuity and the retention of corporate memory?
- How might transitions be better managed to avoid losses of leadership or a skills deficit?
- What plans are in place for unforeseen circumstances where a board member cannot continue working?
  - How frequently are these reviewed?

- What individuals or departments within the organisation are included in the formulation and monitoring of succession planning in order to ensure that the process is comprehensive and joined up?
  - This will involve the chair and the board as a whole, but depending on the organisation may also include a nomination committee, the chief executive, human resources and the company secretary or governance professional.

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- Who takes responsibility for identifying internal talent and highlighting potential board members and senior managers in order to ensure that future boards and leadership teams are able to draw on skills and experience within the organisation?
- What developmental plans are in place to nurture this talent and provide candidates with the skills and experience for future board or senior management roles?
  - This could include shadowing current board members, training, secondment opportunities, or enabling executives to hold non-executive roles elsewhere.

- In what ways is an external pipeline being established to identify, track and nurture external candidates for future board or senior management roles?
- What consideration has been given to reporting (or providing more detailed reporting) on the organisation's succession planning processes?

Due diligence and induction
- What due diligence processes are in place to ensure a board member is eligible to be appointed?
- Have any mistakes been made in relation to appointing disqualified individuals?
  - If so, what was learned and what has changed?

- Are new board members required to submit a declaration of good character and existing interests?
- When undertaking the appointment of new board members or the chief executive, has the organisation notified Sport England or UK Sport (as appropriate) and permitted their representative to observe the process?
- On appointment, do board members receive a formal, full induction which is tailored to the individual and comprehensive information about their role, responsibilities and legal duties?
- Does the induction process and governance handbook include information on:
  - The governing document – and a summary highlighting the powers therein?
  - The authority of the board?
  - The legal duties of board members?
  - Expectations regarding conduct?
  - Information regarding any specific roles they will play on the board, such as senior independent director?
  - Director and organisation codes of conduct?

- Is feedback sought as to the relevance and helpfulness of the induction?
  - What has changed as a consequence?

Remuneration

Code Requirement 2.13

A sound, well-thought-out policy on staff and director remuneration can attract and retain talented individuals, support and improve the performance of the organisation without paying more than is necessary, and help to preserve its financial health. Where a decision has been made to remunerate board members a fully considered business plan should have been presented and agreed by the board, with approval given by relevant regulators, where necessary. The rationale for such a decision should be available to the public. Ensuring that the approach to remuneration is made available to those with an interest in the organisation offers assurance that decisions are made with consistency and demonstrates the importance which is attached to transparency and openness.

Remuneration policy
- Is a formal, transparent and approved procedure in place for setting and reviewing remuneration of board members and organisation employees?
- What steps have been taken to ensure that no director or senior manager is involved in decisions relating to their own remuneration?
- Are the levels of pay for the chair and non-executive directors reflective of the time commitment involved and the responsibilities of the roles?
  - Are remuneration levels benchmarked within the sector?
  - If so, where does the organisation sit within the range identified?

- Are any targets set for performance-related pay schemes appropriate and effective in meeting their objectives?
  - How often are they reviewed?
  - Are total annual payments made under such schemes approved by the board?
  - How are performance-related pay (PRP) schemes in keeping with the values of the organisation, and have they given rise to any unintended adverse impacts?

- How is the ongoing appropriateness and effectiveness of the remuneration policy reviewed?
- How frequently does this occur?
- Where board members are remunerated, what processes are used to assess the impact of this on the work of the board?
- Does remuneration continue to deliver the benefits originally identified in the business case? If not, what steps have been taken to remedy the situation?
- In what ways does the organisation communicate its policy on remuneration to stakeholders?
  - Is it made available on the website and in the annual report?

- What feedback or criticism has the board received relating to the organisation's remuneration policy?
- Did anything change as a consequence?

Remuneration committees

- Has the organisation considered establishing a remuneration committee with responsibility for setting executive remuneration and making recommendations on pay schemes operated by the organisation, including pensions and incentive schemes?
- What were the reasons behind the decision?
- Where a remuneration committee exists, how frequently are its terms of reference and performance reviewed?
  - When were these last updated and what changed?

- If a remuneration committee is established:
  - Does it comprise at least two independent non-executive directors (at least three for larger organisations)?
  - Is the committee chaired by a director other than the chair of the main board?
  - The board chair may sit on the remuneration committee if they are considered to be independent, but should not attend committee meetings pertaining to their own remuneration.
  - Does it meet at least twice a year and sufficiently often to effectively discharge its functions?
  - Does the chair of the remuneration committee attend the organisation's AGM to answer questions raised on areas of the committee's responsibility?
  - Is the committee appropriately resourced and trained to enable it to carry out its duties? This might include the authority to appoint remuneration consultants or commission reports, surveys or other information-gathering exercises to facilitate its work.
  - Does the committee, or remuneration consultants acting on its behalf, obtain reliable, up-to-date information about remuneration in other organisations of comparable scale and complexity?

- How does the remuneration committee report back to the board?
- Does the board discuss the work of the committee?
- When was the last time the board rejected a recommendation of the remuneration committee?
  - What was the cause of that refusal to accept a recommendation?