

4. Our Requirements, Our Support: 2013-17 NGB Funding

Objective 1: To drive up standards of governance in our core funded National Governing Bodies of Sport to ensure they are well governed and managed and can deliver our strategic investment outcomes

4.1. Our Requirements

Over the 2009-13 funding period, Sport England investment in NGBs to deliver our sporting outcomes has been closely aligned to working with them to improve their governance, finance and control frameworks. We have placed particular importance on supporting NGBs in developing these frameworks because good governance is at the heart of delivering sporting outcomes. During the 2009-13 funding period we recognised that NGBs required time to develop their governance frameworks and we have supported and encouraged them in this through our self-assurance and on-site audit processes and our relationship management activities. Where significant concerns have arisen, funding has been suspended or moved to monthly or quarterly payments until key issues were resolved.

Building on the NGB governance improvements that have already been made is important to us. In order to access 2013-17 funding we are setting a number of key criteria for effective governance which we will require core funded NGBs to have in place. Where these standards are not yet in place, applicants will be required to demonstrate a determination to meet them by October 2014. This determination must be supported by a robust action plan with milestones agreed both by your Board and by us. The key criteria for effective governance, set out below, draw together and build upon the minimum standards we already set through the self-assurance and on-site audit processes. They are requirements for the NGBs that we fund but we strongly encourage their dissemination by NGBs through their own structures where applicable e.g. at county board or regional board level.

4.1.1. Key Criteria for Effective Governance

- **The legal/governance structure reflects good practice, allows for open recruitment to Board and provides adequate protection to members.**
- **The Board is effective. The Chair demonstrates strong leadership skills and an independent approach. The Board is well balanced, no one individual or group has unfettered powers of decision-making or dominates the Board. At least 25% of the Board - and ideally a third - are independent and the Board has an appropriate balance of skills. New members have inductions, terms are normally limited to 2 x 4 years and the Board critically evaluates its performance annually.**
- **The Board's remit and size supports effective decision-making. Ideally the Board size should not exceed 12 members. In exceptional circumstances where the Board size exceeds this number, the NGB must be able to justify this on the basis of organisational effectiveness. The Board is strategically, not operationally, focussed. There is an effective committee structure.**
- **Appointments to Board for the independent posts are via an open recruitment process. All appointments, including those drawn from the membership, are informed by skills needs which are regularly assessed and there is evidence of a skills-based assessment and appointment process for all Board positions. The Board actively works to attract a diverse range of candidates representative of the community that it serves or seeks to engage. In line with the Davies report, NGBs should aim for their Board to comprise at least 25% women (or men where they form the currently underrepresented grouping) by 2017 as part of a journey to improve the diversity of Boards.**
- **Decision-making processes are clearly documented, approved and communicated. Decisions are made at the appropriate level.**
- **Transparency and accountability is intrinsic to the way the Board, the CEO and the wider NGB operates.**

Each key criterion for effective governance is explained in more detail below¹. While we set specific standards as investors of public funds in sport, each of our criteria reflect principles 1-6 of the Voluntary Code of Good Governance for the Sport and Recreation Sector.

	Criteria	Indicators
1	The legal/governance structure reflects good practice, allows for open recruitment to Board and provides adequate protection to members.	<p>The Constitution/ Memorandum & Articles of Association or other legal/governing documents are fit for purpose. They allow for appointment via open recruitment to Board (not solely from membership) and the appointment of independent² members to the Board.</p> <p>The legal structure provides appropriate protection to its members. This normally means the NGB is incorporated though other structures may be appropriate³.</p>
2	The Board is effective. The Chair demonstrates strong leadership skills and an independent approach. The Board is well balanced, no one individual or group has unfettered powers of decision-making or dominates the Board. At least 25% of the Board - and ideally a third - are independent and the Board has an appropriate balance of skills. New members have inductions, terms are normally limited to 2 x 4 years and the Board critically evaluates its performance annually.	<p>The Chair demonstrates strong leadership skills. The Chair and all Board members act independently of any interests that may impair their ability to carry out their roles effectively.</p> <p>The Board, not the Council, is the ultimate decision making body.</p> <p>There is clear separation of duties between the Chair, the CEO and the President (if applicable) and the roles of all are documented. Appropriate checks and balances are in place. These include that the Chair can be held to account by the Board.</p> <p>At least 25% and ideally a third of the Board's membership is made up of independent members and the Board acts together for the good of the sport as a whole.</p> <p>Skills required to ensure the Board is effective are regularly assessed.</p> <p>Induction processes and appointment letters for Board members set out responsibilities under the law and to the organisation.</p> <p>Terms are limited normally to 2 x 4 years (from commencement of appointment). Any combined term beyond eight years must be subject to particularly rigorous review and should take into account the need for progressive</p>

¹ While not set as a Sport England funding requirement, we expect all core funded NGBs to engage positively with their home country/GB counterparts where necessary.

² 'Independent' members play an important role within the Board. Their purpose is to contribute to sound decision making within the Board and to help ensure the Board always operates in the best interests of the NGB. 'Independent' means someone who is free from any close connection to the NGB and who, from the perspective of an objective outsider, would be viewed as independent. Alongside a specific skill set or experience, these individuals should bring a dispassionate objectivity to the Board that a close connection to the NGB (e.g. active involvement in its affairs or a fiduciary interest) through regional or national representation or other interests cannot provide. Like all Board members, an independent should exercise his/her best judgment for the exclusive interest of the NGB and not operate with any vested interests. Often, but not always, independents will be non-members though they may also be members simply because they play the sport. Independent members should be appointed through an open recruitment process based on skills and experience. Advertisements should be accessible to non-members, and appointments should be made following an application and interview. For the avoidance of doubt, CEOs do not meet the definition of 'independent'

³ This may include a charity. Where reference is made to board members this should be interpreted to mean trustees of a charity where applicable.

		<p>refreshing of the Board.</p> <p>Succession planning forms part of the Board's processes.</p> <p>The Board evaluates its performance individually and collectively on an annual basis and uses appraisals and evaluations as a means of continually improving effectiveness.</p>
3	<p>The Board's remit and size supports effective decision-making. Ideally the Board size should not exceed 12 members. In exceptional circumstances where the Board size exceeds this number, the NGB must be able to justify this on the basis of organisational effectiveness. The Board is strategically, not operationally, focussed. There is an effective committee structure.</p>	<p>The Board's terms of reference reflect good practice, are documented and available to members and stakeholders.</p> <p>The Board is not too large or small to be effective and ideally has no more than 12 members.</p> <p>The number of Board meetings is appropriate (not too many or too few) to allow for strategic, not operational, decision-making. A clearly set out committee structure is in place with terms of reference agreed by the Board for all committees.</p> <p>The committee structure supports effective working and decision-making. Key issues are escalated to the Board for decision.</p>
4	<p>Appointments to Board for the independent posts are via an open recruitment process. All appointments, including those drawn from the membership, are informed by skills needs which are regularly assessed and there is evidence of a skills-based assessment and appointment process for all Board positions. The Board actively works to attract a diverse range of candidates representative of the community that it serves or seeks to engage. In line with the Davies report, NGBs should aim for their Board to comprise at least 25% women (or men where they form the currently underrepresented grouping) by 2017 as part of a journey to improve the diversity of Boards.</p>	<p>Independent member positions on the Board are widely advertised and independent members are recruited on the basis of the skills they offer. Membership-only appointments are made with full consideration of, and due regard to, the skills needs of the Board. For all Board positions there is evidence of a skills-based assessment and appointment process.</p> <p>A skills matrix is maintained so that any skills gaps can be addressed both through the recruitment and appointment of new members and training for existing members.</p> <p>The Board promotes equality and diversity throughout the organisation and actively works to attract a diverse range of candidates including (but not limited to) women, BME and disability.</p> <p>When recruiting to Board level positions the Board seeks and implements advice to ensure its marketing and other recruitment activity targets a diverse range of candidates. Steady progress is made in improving Board diversity including through target setting and disclosure of progress in annual reports.</p>
5	<p>Decision-making processes are clearly documented, approved and communicated. Decisions are made at the appropriate level.</p>	<p>Decision-making powers, authorisation levels and statutory responsibilities have been delegated to individuals or committees appropriately but with Board retaining responsibility for key decisions and strategy.</p>
6	<p>Transparency and</p>	<p>The 'tone at the top' and the culture of the whole NGB is that</p>

	accountability is intrinsic to the way the Board, the CEO and the wider NGB operates.	of transparency of decision-making and process together with accountability for decisions and actions, including those in relation to delivery of Sport England outcomes (see detail at Appendix 1). All conflicts of interest, perceived or actual, are declared and robust procedures are in place to support this.
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Self-Assurance and On-Site Audit

All our core-funded NGBs will be required to complete our self-assurance assessment. This process has two broad functions. Firstly, it is designed to be a valuable tool to support NGBs develop and continually improve their governance, finance and wider control framework processes. Secondly, it provides Sport England with an indication of whether the NGB has an adequate governance, finance and control framework to receive and manage public funds. The self-assurance assessment, which is submitted on-line, is reviewed by independent auditors with the outcome reported to the NGB and to Sport England. In line with our approach to 2009-13 funding, we will continue to require all core funded sports to achieve a 'green' rating for self-assurance or to have a clear action plan in place to achieve 'green'. NGBs are already required to meet at least the 'Foundation' level of the Equality Standard and specific standards in relation to safeguarding and anti-doping. In relation to equality, diversity and safeguarding, as well as in all governance related areas, we will expect NGBs to demonstrate continuous improvement.

During the 2013-17 funding period we will review the self-assurance process in light of the maturity of the governance, finance and control frameworks and practices of our core funded NGBs. We recognise that as core funded NGBs develop, our processes should develop in parallel whilst still ensuring an adequate level of assurance is provided to us.

In addition to the self-assurance process, core-funded NGBs will also be subject to an in-depth on-site review of their governance, finance and control framework and practices during the funding period. The main objective of these reviews, which are carried out by independent auditors on behalf of Sport England, will be to assess the adequacy of the governance, finance and control framework and its operation in practice and to consider whether Sport England funding is properly managed and accounted for. The audits will assist NGBs in identifying any areas of governance, finance or internal control which may need to be improved or strengthened.

We anticipate that the coverage of on-site audits will remain similar to that currently in place but the scope and level of detail applied to specific areas will continue to be reviewed on an ongoing basis. Particular emphasis will be placed on how frameworks operate in practice, including areas set out in our key criteria for effective governance. The existing coverage is:

- Governance
- Strategic Planning
- Financial Management
- Human Resources
- Organisational Policy
- Risk Management

During the 2013-17 funding period, NGBs which no longer meet our key criteria for effective governance and / or have significant weaknesses in their governance, finance and control frameworks, which are not addressed immediately, will have their funding withheld or withdrawn.

4.1.2. Awards' Compliance Testing

All on-site audits will include an element of financial compliance testing. This testing will be sample-based. For the 2013-17 audit and assurance programme, samples will be taken over the complete range of the funding streams from Sport England, not just core funding. Where grants are given by the recipient body to a third party the auditors will also review the adequacy of the assurance provided to the initial grant recipient.

4.1.3. Tailored assurance / Special investigations

Should significant concerns arise in relation to an NGB's governance, finance and control framework or practices Sport England may consider it necessary to commission a 'tailored'

assurance review or a special investigation to provide in-depth assurance over one or more specific aspects of the governance, finance and control framework, including how the framework operates in practice.

4.1.4. Continuous improvement

The standards we set through our key criteria for effective governance and our self-assurance and on-site audit processes reflect good practice. We encourage all NGBs to continuously improve their governance, finance and control frameworks and practices on an on-going basis.

4.2. Our Help and Support

4.2.1. Thematic Review

Our NGBs have told us that they would like help and support in developing their governance, finance and control frameworks. The audit and assurance work we carry out provides us with very valuable trend data on the how governance is developing in the core-funded NGB sector. For the first time, in July 2011, we shared trends and themes data from the 2010/11 audit and assurance process with core funded NGBs. We will develop and build on this thematic review work and our sector-wide feedback in future years allowing NGBs to benchmark themselves, learn from areas of best practice and explore some of the themes through workshops, seminars and other relevant channels (see 'workshops' section below).

4.2.2. High quality specialist training and support

We want to support and help NGBs meet our key criteria for effective governance. We have therefore allocated funds from April 2012 onwards specifically to help NGBs drive governance improvements where necessary. These funds will be used to provide Boards with high quality, tailored, specialist training and support. Where required, we will work in partnership with NGBs to identify the type of support that would be most beneficial to them. The details of this new initiative are currently in development and this strategy will be updated shortly when further details are available.

We are also working with UK Sport and the Home Country Sport Councils on joint initiatives aimed at driving up standards governance in NGB Boards. We will update this strategy with further details when they become available.

4.2.3. Governance workshops and other support forums

We have worked in partnership with UK Sport and the Sport & Recreation Alliance to develop 'Supporting Good Governance' workshops which provide targeted support. We are also considering how we can best facilitate other support mechanisms as we develop our approach, including seminars and other governance-related events which would facilitate best practice, increase opportunities to share best practice and provide targeted support.

4.2.4. Web-based tools

We will continue to develop our 'Things to Think About' (TTTA) governance, finance and control framework self-help support tool. TTTA sets out the standards we assess through self-assurance and provides prompts or Things to Think About in relation to the principles that support those standards. It also provides links to some other specialist websites and can be found at http://www.sportengland.org/support_advice/governance_finance_control.aspx

4.2.5. Finance and Governance Forum

Sport England works in partnership with UK Sport and the Sport & Recreation Alliance to provide an opportunity for those charged with NGB or National Partner governance and finance to come together to:

- explore and share best practice in relation to finance and governance matters;
- consider issues and potential solutions to finance and governance challenges;

- receive up-to-date briefings on new and emerging issues that relate to finance and governance.

We will continue to promote good governance and strong financial control through the Finance and Governance Forum.

4.2.6. Continuous improvement

During 2010/11 we introduced feedback mechanisms as well as support tools for both self-assurance and on-site audits. Early in 2011/12 we also introduced workshops for new users of the self-assurance system. We will continue to develop and refine these tools and workshops during the 2013/17 period.

4.3. Joined-up Working with UK Sport and the Home Country Sports Councils

The Home Country Sports Councils and UK Sport are working together to be as joined-up as possible in our approach to governance. Sport Wales and UK Sport already use our self-assurance system and we have shared our basic assurance process (essentially a shortened version of self-assurance) with UK Sport and with Sport Scotland. We understand the importance of a joined-up, consistent approach but we also fully appreciate that NGBs outside of those we fund may be at different points in terms of governance maturity. We recognise that we need to take account of that in how we each apply our governance standards.

Sport England and UK Sport have a joint contract for the provision of the NGB audit and assurance programme and our respective teams work closely together. Should issues of particular concern arise in any of our jointly funded sports, Sport England and UK Sport will continue to work closely together to understand those issues and, in turn, work with the NGB to resolve those issues while maintaining our independence as investors of public funds in sport. We also specifically endeavour to avoid any duplication of the provision of information by NGBs in relation to governance.

9. Appendix 1 – Key criteria for effective governance (NGBs): assessment indicators

We have set out below the evidence indicators relating to each of the 6 key criteria for effective governance. In the majority of cases evidence will be available to us through a combination of your most recent self-assurance submission and on-site audit report. We will form an initial view of whether or not you meet our requirements based on that information and we will confirm our understanding with you. Where we do not have the relevant information, evidence will be requested from you. It will be reviewed with the support of Moore Stephens and discussed with you to clarify if necessary.

In a small number of cases it may be necessary to assess one or more of the 6 key criteria through a short, tailored on-site audit. Should this be required, Sport England and Moore Stephens will agree timing of the review with you in the normal way.

As set out at in section 4 above, where these standards are not yet in place, applicants will be required to demonstrate a determination to meet them by October 2014. This determination must be supported by a robust action plan with milestones agreed both by your Board and by us.

	Criteria	Evidence indicators
1.	The legal/governance structure reflects good practice, allows for open recruitment to Board and provides adequate protection to members.	<ul style="list-style-type: none"> • Relevant information as provided through most recent self-assurance submission: <ul style="list-style-type: none"> ○ Constitution / Memorandum and Articles of Association (or equivalent) ○ Company structure chart • Relevant information as set out in most recent on-site audit report
2.	The Board is effective. The Chair demonstrates strong leadership skills and an independent approach. The Board is well balanced, no one individual or group has unfettered powers of decision-making or dominates the Board. At least 25% of the Board - and ideally a third - are independent and the Board has an appropriate balance of skills. New members have inductions, terms are normally limited to 2 x 4 years and the Board critically evaluates its performance annually.	<ul style="list-style-type: none"> • Relevant information set out below as provided in most recent self-assurance submission: <ul style="list-style-type: none"> ○ Board terms of reference ○ Board composition data ○ Board induction process ○ Board election and appointment processes ○ Board evaluations (including an assessment of the Chair) • Chair and CEO role profiles and Board members length of term data (this may need to be provided by the NGB) • Relevant information as set out in most recent on-site audit report
3.	The Board's remit and size supports effective decision-making. Ideally the Board size should not exceed 12 members. In exceptional circumstances where the Board size exceeds this number, the NGB must be able to justify this on the basis of organisational effectiveness The Board is strategically, not	<ul style="list-style-type: none"> • Relevant information set out below as provided in most recent self-assurance submission: <ul style="list-style-type: none"> ○ Board Terms of Reference ○ Board composition and size data ○ Governance structure including Council and Committees (this may need to be provided by the NGB) ○ Council and Committee terms of reference (these may need to be provided by the NGB) • Relevant information as set out in most recent on-

	operationally, focussed. There is an effective committee structure.	site audit report
4.	Appointments to Board for the independent posts are via an open recruitment process. All appointments, including those drawn from the membership, are informed by skills needs which are regularly assessed and there is evidence of a skills-based assessment and appointment process for all Board positions. The Board actively works to attract a diverse range of candidates representative of the community that it serves or seeks to engage. In line with the Davies report, NGBs should aim for their Board to comprise at least 25% women (or men where they form the currently underrepresented grouping) by 2017 as part of a journey to improve the diversity of Boards.	<ul style="list-style-type: none"> • Relevant information set out below as provided in most recent self-assurance submission: <ul style="list-style-type: none"> ○ Board skills matrix ○ Board appointment process data ○ Equality data • Relevant information as set out in most recent on-site audit report
5.	Decision-making processes are clearly documented, approved and communicated. Decisions are made at the appropriate level.	<ul style="list-style-type: none"> • Relevant information set out below as provided in most recent self-assurance submission: <ul style="list-style-type: none"> ○ Delegated authorities ○ Matters reserved for Board • Relevant information as set out in most recent on-site audit report
6.	Transparency and accountability is intrinsic to the way the Board, the CEO and the wider NGB operates.	<ul style="list-style-type: none"> • Relevant information set out below as provided in most recent self-assurance submission or reported in most recent on-site audit: <ul style="list-style-type: none"> ○ Conflicts of interest <p>Supporting information for the evidence indicators below is not collected through the self-assurance process or currently reviewed in detail as part of the on-site audit process. These areas will be reviewed as part of our 2013-17 audit and assurance processes.</p> <ul style="list-style-type: none"> • Evidence of disclosure of summary statistics for complaints and whistleblowing allegations received and progress to their resolution, including confirmation of reporting to Board and summary reporting of statistics to members (e.g. on website) • Publication of Board agenda and minutes so that these are readily available to members and other stakeholders • Reporting to, and scrutiny of, delivery to Sport England outcomes by Board members through CEO's reports to Board or similar • Reporting of delivery to Sport England outcomes to members, for example, via the NGB's website