

**Manatū
Taonga**

Ministry
for Culture
& Heritage

The page features a decorative graphic in the top-left corner consisting of several thin orange lines radiating from a central point, forming a starburst or sunburst effect. Two of these lines extend across the top of the page, one from the left and one from the right, meeting at the starburst point.

Board Self-Evaluation

Guidance for Crown Entity Boards

February 2020

Evaluation is Governance Best Practice

- Ministers expect Crown entity boards to regularly assess their own performance.
- “A systematic review of the performance of individual directors (including the chair) and of the board as a whole helps address weaknesses, increases skill levels and demonstrates a commitment to accountability”.

(Institute of Directors’ Code of Practice).

Crown Entities Act 2004 (the Act)

- The Board has a duty to protect the value of the Crown's investment – 'stewardship'.
- The Act sets out the 'rules of the road' for Crown governance.
- Schedule 5 sets out expectations for board procedures, including:

appointments, terms of appointment, resignation, removal, chair functions and powers, procedures, notice of meetings, meetings themselves, and committees.

The Act continued

- Sections 49-52 set out the board's collective duties, including:
 - acting consistently, performance of functions, financial responsibility.
- Sections 53-57 set out individual member's duties, including:
 - complying with legislation, honesty and integrity, acting in good faith, reasonable care and skill, not disclosing information.
- A board evaluation can check if the Board understands and complies with the Act.

Approach to Board Evaluations

- We recommend taking a principles-based approach. Rather than using a standard questionnaire, focus on key areas which support good governance and tailor the questions to suit your entity.
- The Board determines the process and format. For example, evaluations may be managed internally, or the board may be assisted by an external facilitator.
- Ideally the Chair or a board member leads the process. Someone external to the board may also be involved to collect individual responses.

Board Evaluation Tips

- Allow enough time for the whole process.
- A questionnaire can be a mix of scoring (a scale is more useful than yes/no) and open comments.
- Survey board members, management, stakeholders.
- Chair discusses individual responses in 1:1 meetings.
- Board discusses combined results in dedicated meeting.
- Focus on the key actions which will make a difference.

<https://www.iod.org.nz/resources-and-insights/guides-and-resources/board-evaluation-tips/#>

Self-Evaluation Criteria

Areas which support good governance

Board functions

Strategic role

Board is setting the entity's strategic direction and goals

Monitoring role

Board is monitoring the entity's performance to achieve its goals

Some areas will overlap

Other performance drivers

Risk management

Board is monitoring internal and external risks

Audit and compliance

Board is complying with legislation and policies

Financial monitoring

Board is monitoring the entity's financial wellbeing and long-term viability

Chair's performance

Chair is getting the best out of board members

Board members' performance

Board members are individually and collectively driving performance

Chief Executive's performance

Chief Executive is responding to Board's strategic direction

See the Ministry's Governance e-manual for more information (<https://mch.govt.nz/mi/governance-e-manual>).

The board evaluation should also take into account...

- the entity's purpose/function (e.g. regulator or funder)
- the board's current maturity level
- the life-cycle stage of the board (member churn, new chair, organisational changes, a financial crisis etc.)
- the current chair's expectations and role in leading the board.

A. The Board's Strategic Role

How well does the Board develop and direct strategy?

Areas which could be assessed:

- **Clarity of purpose, goals and values**
- **Alignment with Minister's expectations**
- **Time spent on long-term strategic and policy issues**
- **Communicating strategic direction and values to staff and stakeholders**

B. The Board's Monitoring Role

How much is the Board focused on its role as the primary monitor of performance?

Areas which could be assessed:

- **Monitoring and evaluating progress towards goals**
- **Board structures and processes support effective monitoring**
- **Understanding difference in roles of board and management**
- **Quality and timeliness of information provided to Minister (via the Ministry)**

C. Risk Management

How well is the Board monitoring risks to long-term viability?

Areas which could be assessed:

- **Reviewing risks across entity and environment**
- **Awareness of the special risks applicable to Crown entities**
- **Contingency plans deal with risks which cannot be controlled or mitigated**
- **Relevance of strategic direction considering the identified risks.**

D. Audit and Compliance

How well is the Board complying with legislation and policies?

Areas which could be assessed:

- **Understanding of responsibilities under the Crown Entities Act 2004 and its own legislation.**
- **Compliance with other legal and ethical requirements**
- **Following the Board's charter**
- **Relevance of policies to guide management**

E. Financial Monitoring

How well is the Board monitoring the entity's financial wellbeing and long-term viability?

Areas which could be assessed:

- **Quality and timeliness of reporting on finances**
- **Long-term financial forecasting**
- **Board members' financial understanding**
- **Performance of audit committees (or if there are none, is one needed)**
- **Review and action from auditor's report**

F. Chair's Performance

How is the Chair getting the best out of board members?

Areas which could be assessed:

- **Quality of agendas**
- **Chairing of meetings**
- **Managing conflicts of interest**
- **Feedback provided to individual members**
- **Relevance of committees**
- **Relationship with Chief Executive**
- **Communication with stakeholders (e.g. Ministry)**

G. Board Members' Performance

How well are members contributing to the Board?

Areas which could be assessed:

- **Understanding role (governance vs management)**
- **Understanding entity's mission, work and sector**
- **Members' competencies**
- **Standards of conduct**
- **Involvement and adding value to discussions**
- **Declaring relevant interests**
- **Induction, training and development opportunities**

H. Chief Executive's Performance

How well is the Chief Executive responding to the Board's strategic direction?

Areas which could be assessed:

- **Monitoring and reviewing performance**
- **Quality and timeliness of information provided**
- **Understanding role and responsibilities**
- **Compliance with board's expectations and policies**
- **Training and development opportunities**
- **Communication with Ministry**

Board Structure and Competencies

The self-evaluation could ask members:

- what skills and experience they bring to the Board
- what they want to develop.

The Board can then develop a board competencies matrix, to determine:

- the current mix of skills, experience, diversity, sector and independent knowledge on the Board
- The competencies the Board needs over the next 3-5 years.

Board Competencies Matrix example

Board member	Governance experience		Sector experience	Financial experience	Legal/Regulatory experience	Investment/property experience	People/capability experience	Region	Gender	Ethnicity	Age range
	Crown	Commercial/Non-profit									

The ✓ symbol indicates the member is competent in this area.

The ✓✓ symbol indicates a high level of competence (e.g. extensive experience/qualifications).

Summary Report

The summary of the board evaluation results and competencies matrix should include:

- Key themes identified by the Board
- Actions agreed to be taken by the Board
- Any recommendations for future board composition

The summary report for the Minister (copied to the Ministry) would ideally be 1-2 pages.

Further information on board evaluations

- Carter McNamara's 'Board of Directors Self Evaluation'
www.managementhelp.org/boards/brd_eval.htm
- The Treasury's 'Board of Directors Performance Evaluation' guidance in the Owner's Expectations Manual
<https://treasury.govt.nz/sites/default/files/2018-06/oem18-updates.pdf>
- Institute of Directors' board evaluation service
<https://www.iod.org.nz/services-for-boards/board-evaluations/#>
- Sport New Zealand's 'Step 8' in 'Nine Steps to Effective Governance'
<https://sportnz.org.nz/assets/Uploads/attachments/managing-sport/strong-organisations/Nine-Steps-to-Effective-Governance-Building-High-Performing-Organisations.pdf>
- Creative New Zealand's sample board performance evaluation in 'Getting on Board'
https://www.creativenz.govt.nz/assets/paperclip/publication_documents/documents/46/original/getting_on_board_publication-web.pdf?1391130106
- Ernst and Young's article on effective board evaluations
https://www.ey.com/en_gl/board-matters/how-boards-can-use-effective-evaluation-to-improve-performance
- SpencerStuart's article on improving board effectiveness
<https://www.spencerstuart.com/research-and-insight/improving-board-effectiveness-five-principles-for-getting-the-most-out-of-a-board-assessment>