

# Non-Government Schools Not-For-Profit Good Governance Principle 7 – Assessment of board performance

Good governance arrangements ensure school proprietors and boards<sup>1</sup> manage their affairs with suitable oversight and accountability, and are critical for meeting not-for-profit (NFP) obligations under section 83C of the *Education Act 1990 (NSW)* (the Act).

To help schools develop and maintain good governance practices, the Non-Government Schools Not-for-Profit Advisory Committee has developed a set of [Guiding Principles for Good Governance](#).

## Good Governance Principle 7: Assessment of board performance

states that:

'The performance of the board (including the chair, board members and directors of any subcommittees) should be regularly assessed and timely action should be taken to address any identified issues. Performance requirements should be properly documented and accessible. Board roles and appointments should be clearly documented (that is, there should be role descriptions and letters of appointments that clearly outline board member duties and responsibilities).'

School boards should ensure that their performance is assessed on a regular basis, both collectively as a board, and for individual members. Performance assessment should identify strengths and opportunities for enhancement. Board members should be encouraged and supported to foster new skills through professional development. The key elements of this principle are:

- Board members are provided with a letter of appointment.
- Development of key performance indicators.
- Regular assessment of board performance.

### Board members are provided with a letter of appointment

All board members should be provided with a letter of appointment to sign at the beginning of their term on the board. The letter of appointment is a valuable opportunity for the board to welcome new members, reiterate the duties and role of the new member and provide essential documents. The following should be considered for inclusion in the letter of appointment:

- Welcome and induction overview, including (but not limited to) information on:
  - start and end date of appointment
  - requirements to report all conflicts of interest
  - non-remuneration terms<sup>2</sup>

<sup>1</sup> 'Proprietors and Boards' refers to all members of the governing body of the school sometimes also referred to as 'directors'. In these documents the governing body is referred to as the 'school board' or 'board members'.

<sup>2</sup> Under NFP legal requirements, board members cannot be remunerated for the performance of their duties as a board member. However, schools may reimburse a member for a payment made in connection with the operation of the school.

- details of insurance policies for board members
- the induction process
- board meetings (times, locations etc).
- Responsibilities of school board members such as:
  - role of the board member
  - relevant legal obligations of the board, including the obligations to operate NFP under the Act.
  - fit and proper requirements of individual board members (see the [NSW Education Standards Authority fit and proper person requirements](#) for further information)
  - the requirement to abide by a code of conduct
  - the governing documents of the board, key policies and other relevant documents
  - information on how to access board papers, minutes and all other related documents.
- Expectations for board members:
  - the time commitment requirements (new board members should be provided with a schedule of board meetings and events)
  - professional learning requirements and arrangements
  - procedures to assess board performance and the performance of members including KPIs
  - the relationship between the board and the school executive
  - confidentiality obligations (new board members should be provided with a document outlining their confidentiality obligations to sign).

## Development of key performance indicators

Key performance indicators (KPIs) are measures that allow a board to monitor progress made by the board towards the achievement of core objectives. The core objectives of the school should be defined by the board with reference to the governing documents of the school. Strategic objectives should be detailed in the school's strategic plan.

One useful tool for designing effective KPIs is the SMART criteria that create specific, measurable, attainable, relevant and time-based KPIs.

High-level KPIs measuring the overall delivery of core and strategic objectives can be complemented with more precise KPIs measuring a range of specific factors that contribute to overall success. For example:

- educational outcomes of students
- enrolment growth at the school
- compliance with legislation and government reporting requirements
- ensuring the school remains financially viable
- delivery of key operational initiatives including school infrastructure.

KPIs should be designed by the school board in consultation with the board members, principal, and staff. Additionally, the board may engage an external consultant that can provide KPI expertise and guidance covering the design phase through to evaluation.

## Regular assessment of board performance

It is good governance practice to regularly review the performance of the board and individual board members. Annual assessments provide the opportunity for the board to reflect on strengths and opportunities for improvement. An assessment framework should be developed by the board to clearly establish the purpose, scope, method and outcomes of the assessment. Assessment may include:

- Analysing performance of the overall board against KPIs.
- Board members self-assessment of skills and performance.
- Board members peer assessments.
- An internal assessment of the board's development maturity and capabilities.
- Performance interviews with board members and executives.

Independent assessment is a good way to get an objective assessment of a board's performance. Independent assessments are conducted by external consultants. The findings and recommendations of an independent assessment also provide practical steps that a board can take to improve governance and board performance. Benchmarking performance is also a useful way to

compare performance across years/with other schools. If an annual independent assessment of board performance is not possible, the board should consider rotating between internal and independent assessment.

The findings of an annual assessment should be reviewed by the board and an action plan should be developed to address the findings of the assessment. Where the assessment finds that the board needs to develop a capability, the board should consider how this gap will be addressed.

Professional development of existing board members and recruitment of new board members may be used to address the capability gap (see **Good Governance Principle 3: Board structure and suitability of board members** for further information).

Individual board members should also reflect on the results of individual performance reviews and develop a professional development plan. The plan should address any gaps in knowledge and experience, allowing the board member to become a more effective contributor to the board.

The [Not-for-Profit Governance Compliance Self Check Tool](#) can also assist boards in assessing board performance against NFP requirements.

## Case studies

### Case study A – Ineffective management of board performance

The Board of Time to Shine School has recently appointed a new board member named Kay.

The Chair of the board invites Kay to the next board meeting. Kay sends an email to the Chair asking if there are any documents to review before the meeting. The Chair informs Kay that all the documents needed will be provided at the meeting.

Kay attends the board meeting. The board discusses the need to engage a marketing consultant to promote the school. Kay has marketing experience and

offers to provide marketing services. Kay is unaware of the NFP requirements under section 83C of the Act, the need to record and manage related entity transactions, and has not declared any conflicts of interest. The board doesn't want to waste time getting quotes and agree to hire Kay to lead the school marketing campaign.

Time to Shine School and Kay did not implement appropriate process when inducting a new board member. This could have been improved by:

- Providing Kay with a suitable letter of appointment and induction process which included information on requirements:
  - For boards to operate NFP under section 83C of the Act.
  - To declare and manage all conflicts of interest.
  - For recording and managing related entity transactions

Time to Shine School is now at risk of investigation and compliance action for a breach of NFP requirements contained in section 83C of the Act.

### **Case study B – Effective assessment of board performance**

Ace Ltd is the proprietor of Northeast College. Ace Ltd does not operate any other schools or businesses. Each year the Chair of Ace Ltd conducts an informal in-house review process which includes interviewing board members to collect their feedback on how they feel the board is operating and any suggestions to improve performance. The process is not documented and the Chair agrees to some of the ideas and implements some changes.

Other board members are concerned that some ideas to improve the school are not actioned by the Chair and that there is no objective process to monitor the delivery of new initiatives. The Board meets to discuss these concerns and decides to engage an external consultant to conduct an independent assessment of the board's performance. An independent consultant works with the Board to design and conduct an assessment that measures the maturity of the Board and the capabilities of each board member. The assessment also reviews the Board's compliance with NFP obligations contained in section 83C of the Act.

The findings of the review are provided to the Board. The Board considers the report findings and develops an action plan to address each of the recommendations. The action plan details the:

- Steps the Board will take to address each of the recommendations.
- Person(s) responsible for delivering on the recommendation.
- Time-frame in which the recommendation will be delivered.

The Board works together to deliver the agreed actions within the deadlines they have set. The action plan is included as a standing item for each meeting of the Board so that the Board is updated on the progress made to deriving the action.

The board members agree that the external review and action plan have helped improve board performance and have strengthened their compliance with section 83C of the Act. The Board can see the value of conducting an external review annually however, due to budget restraints, the Board agrees to rotate between an external and internal review each year.

The Board effectively assessed board performance as they:

- Independently assessed the board's performance and made recommendations for improvements.
- Assessed against specific performance indicators, including NFP legal obligations.
- Participated in an open board discussion to develop an action plan (with identified timeframes) to address recommendations.
- Made the action plan a standing board meeting item to regularly update progress.

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