



Effective Board/Management Relationships

Webinar Series

Session 3

May 2021



Carl Millington



Partner Business Advisory and Assurance

p. +61 2 9228 2249

e. carl.millington@pitcher.com.au

m. +61 400 104 678

Professional Background

Carl provides business advisory, assurance, and risk management services to Not-for-Profit organisations including NSW local government, sports administration organisations, charities, and community-based organisations. His understanding of the unique environment that NFPs operate in allows him to identify opportunities to better manage risks, improve governance and consistently achieve compliance with financial reporting obligations.

Taking a collaborative approach to client service, Carl develops a strong rapport with clients to understand their broader business needs, providing practical advice beyond the scope of service.

Carl's NFP experience has provided him with industry insights beyond those normally acquired by providing auditing services. His involvement in the industry extends to undertaking IT reviews, internal control reviews and compliance audits.

This experience has helped him develop strong credentials in assisting clients to identify opportunities to improve business processes, fine-tune strategic plans and advise on ways to manage and mitigate business risks.

Carl has been a Partner of the Sydney firm since 2006. During this time, he has been heavily involved with the leadership of the firm having held the position of managing partner and as a member of the firm's Advisory Board. Carl provides his clients over 30 years' experience in the profession.

Industry Experience

- Sports administration
- Not-for-Profit (NFP)
- Education
- Religious entities
- Charitable institutions
- Local government

The reasons for holding this webinar



Part 3 in a series of webinars organised by the NSW Office of Sport to assist SSOs recover from the impact of COVID-19 and move forward with confidence and focus.



Previous webinars explored the following themes:

- Session 1 – Cautious emergence – post COVID recovery
 - Session 2 - Emerging with confidence and focus
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Whilst boards and management of SSOs are now looking ahead, one of the vexing issues faced by many organisations is how to ensure that the relationship between management and the board is as effective as possible.



This session takes a look at the importance of effective working relationships between the board and management and aims to provide both SSO boards and management some thoughts on how to achieve this.

Where we left off at the end of Session 2

- *It is commonly accepted that directors of an organisation are the custodians of the future of the organisation. How you define “future” will have a big impact on the decisions made, the strategies adopted and the continuing relevance of the organisation.*
- *Ensuring the future of any organisation requires continuous improvement, proactive planning, and timely well-informed decision making.*
- *Working ON your business is as important as working IN your business.*



Part one

Board/management relationships

Board/management relationships

Good working relationships involve respect, communication and honesty

Why is this relationship important?

- ▶ An effective relationship is essential for good governance which fosters organisational effectiveness.

Does this apply to SSOs?

- ▶ In more ways than one. Any organisation will benefit from a productive and harmonious relationship, but as teamwork is a critical component, SSOs are well placed to understand just how that works.

But boards and management have different objectives.

- ▶ No – they have different roles in achieving the same vision and objectives for the organisation. This is where the teamwork comes into play. A team approach requires mutual respect and trust, just like any sport.

Board/management relationships

Good working relationships involve respect, communication and honesty

How easy is it to achieve in reality?

- ▶ It's not. At times it can be quite difficult, particularly if both parties don't have a clear understanding of their role in the equation.
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But aren't the respective responsibilities laid out in the relevant charter?

- ▶ Well organised SSOs will have a board or governance charter that spells it out. The problem often is in the interpretation and implementation of those 'rules'. An ineffective relationship, poor organisational culture or even lack of relevant experience can all result in poor implementation.
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Board/management relationships

Working together, not apart

- For the board and management to develop a strong and effective working relationship there needs to be an environment where **each party respects** the other's
 - responsibilities,
 - contributions and
 - expectations.
- **Having a clear mutual understanding and acceptance of respective roles, necessary delegations and boundaries will help achieve this.**



Part two

Planning together

Planning together

The board's role in strategic planning

“An important function of the Board is to plan strategy and direction and develop a strategic plan that should guide staff and members to achieve identified objectives.”

NSW OoS <https://www.sport.nsw.gov.au/clubs/ryso/strategy>

The primary questions that the strategic planning process should answer are:

What

- is the future of the organisation?
- is the status of the industry?
- competition does the organisation face?
- are the future challenges to the organisation?
- is the financial state and future state of the organisation?
- are the legal requirements the organisation must fulfill?

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The board's role in strategic planning

- The extent of board involvement in the strategic planning process will be determined by a number of factors including,
 - the SSO's size,
 - the experience of its management team, and
 - its current situation.
- The level and experience of resources available will vary from SSO to SSO.
- Some observations...

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The board's role in strategic planning – some observations

- Larger SSOs
 - are more likely to have a management team with the capability and resources to assist with the development of the SSO's strategy.
 - The board's role under this scenario is more likely to be one of questioning, challenging and clarifying.
- Smaller SSOs
 - are not likely to have the same level of resources as the larger SSOs
 - may need the board to be more involved in the development of strategy.
- Strategy cannot be developed in isolation.
- It is important that the management team support the adopted strategy, which makes the working relationship between the board and management critical.

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Budgeting and forecasting

A budget:

- estimates your income and expenditure over a specific period, usually a year.
- identifies fixed and variable costs
- is reviewed and adjusted on a periodic basis.
- gives organisations goals to aim for and a framework for meeting them responsibly.

A forecast:

- uses historical and current data, along with market and industry analysis, to help predict whether budget targets can be achieved.
- ensures organisations have the resources needed to deliver on what their business needs.
- increases the confidence of the management team to make important business decisions.

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What comes first?

Budgets and forecasts must work together:

- one sets the targets; the other lends insight on whether they can and will be achieved.
- A forecast can be used to help build a budget or figure out how money should be allocated to specific areas of the business.
- But without a budget, the forecast has no real aim.

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The Budgeting and Forecasting Process

There are four commonly accepted types of budgeting processes:

- incremental budgeting – most commonly used
- activity-based budgeting – possibly better for new organisations
- value proposition budgeting – best used in conjunction with others
- zero-based budgeting – can be time consuming, use occasionally

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The Budgeting and Forecasting Process

Things to consider when preparing budgets:

- Look at past revenues, and assess if they are recurring or one off in nature;
- Look at past expenses, and assess if they are recurring or one off in nature;
- Consider if any of your goals will drive more revenue opportunities;
- Consider what will be required to be spent to achieve your goals; and
- Understand the timing of your receipts, remember you cannot spend what you don't have.

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The Budgeting and Forecasting Process

How board decisions impact the budget:

Extract from Committee Minutes	Impact on budgeting
<p>The committee sought and had approved funding to grow the game in regional centres.</p>	<p>Grant revenues should be recognised in accordance with the grant agreements.</p> <p>Budgeted expenses should be recognised in terms of spend required to reach the desired goals</p> <p>Any assets created should be considered for inclusion into the balance sheet</p> <p>The timing of cash flows should be considered – it is highly unlikely that cash in will be at the same time as cash out.</p>

Part three

Working together

Working together

Preparing board reports

Good board reports contain a mixture of data, information and management insights, necessary to:

- facilitate relevant and effective decision-making at board level.
- prompt board members to ask the right questions and decide best actions

They should:

- Align with the strategies, objectives and risks of your organisation
- Communicate effectively
- Be insightful, proactive and future-focussed

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Information that boards should normally expect to receive

When	Report
Monthly	<ul style="list-style-type: none">• Monthly P&L, balance sheets and cashflows compared to budget (3 way budgets)• Smaller SSOs as a minimum – monthly cash receipts & payments compared to budget, plus reconciled bank balances, investments, creditors and known financial commitments
	<ul style="list-style-type: none">• monthly analysis of results by strategic function or business unit
Quarterly	<ul style="list-style-type: none">• Update on forecast operating results for the year compared to budget
	<ul style="list-style-type: none">• a report on any large investment projects or budgeted capital expenditure
	<ul style="list-style-type: none">• review of progress on the implementation of the organisation's strategic plan.
Annually	<ul style="list-style-type: none">• Annual financial statements and reconciliation with management reports

Working together

Questions that board members should consider

- *Accuracy.* Can I trust the data?
- *Relevance.* Does it cover the critical issues?
- *Timeliness.* Is it sufficiently up to date?
- *Clarity.* Is it presented in such a way that I can digest it quickly?
- *Risk assessment.* Is the information purely historic or does it assess future risks?
- *Depth.* Do I receive only summaries or can I access more detailed information if needed?
- *Data access.* Can I access the data via a secure internet connection?

Q&A



Example questions

- Does the board run the organisation, or does management run the organisation?
- We are only a small organisation and some of our board members also have operational roles. How do we practically differentiate between the roles?
- How often should the board get non-financial strategic reports?
- As a small SSO we have limited resources and rely heavily on volunteers. How often should we prepare management accounts?
- Should our budget include non-cash items such as depreciation and asset purchases?

Thank you