

# Review of NZIS Governance Arrangements

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## Background

The New Zealand Institute of Surveyors agreed to undertake a governance review. Rule 24.8 of the current Rules of the New Zealand Institute of Surveyors Incorporated (the Rules) stipulates that:

*The Council must ensure that a governance review of NZIS on such terms as set by the Council is completed before the 2018 AGM.*

Following a major review of NZIS in 2013, new governance arrangements were put in place following the 2013 AGM. Those arrangements included establishment of a Board (to replace the Executive Committee), a new role of Chief Executive Officer, streams, divisions and significant interest groups in addition to the already existing Council and branches.

The Council has now instigated a review of the governance arrangements and how well they are working. This review will examine the Rules to ensure “best practice governance” that supports an appropriate balance between prescription and the flexibility afforded by supporting policies, practices and procedures.

In November 2017, Council directed the preparation of these Terms of Reference (Appendix C), the timeline and budget for the governance review.

The Review Panel consisted of Bruce Anderson, Andrew Stirling, Mark Allan and Mike Benning.

## Review process

Panel members undertook a paper review of the current Rules and then met to consider findings. The panel looked at current governance arrangements against a governance framework and identified areas that needed refinement or change. The panel then moved through the Rules to identify what changes were needed and propose amendments.

The Council was briefed on early observations and provided with a track-changed version. There was strong support for most of the observations.

A draft of the revised Rules was shared with a group of NZIS members who had attended governance training. The response was limited and disappointing.

In June 2018, the Board was briefed on the preliminary observations and provided feedback at that session.

## Key areas for improvement

A marked-up version of the proposed rule changes is provided as Appendix B. The major recommended changes are:

### Change the name to better reflect the role and function of the organisation

Many organisations use NZIS as its name. The most prominent is the New Zealand Institute of Sport. Other include New Zealand Independent Schools; New Zealand Immigration Service; New Zealand Income Survey; NZ Indoor Sports; NZ investment Securities, etc.

In addition, the name NZIS does not inform members of the public and other key stakeholders about the role and function of the organisation. As a body advocating to Government and the public on behalf of its members, "brand recognition" is a critical issue. If an organisation needs to explain what NZIS means, then it faces challenges over relevancy.

The third element is that the sector has evolved beyond traditional surveying and is now more spatially focused. Although surveying in itself is a spatial activity, greater numbers of potential new members work in the spatial industry. Many people involved in the broader spatial industry have at this time no natural home or organisation representing their interests. NZIS is well placed to step into this void. These potential members do not see themselves or their expertise reflected in the name "NZIS".

*It is recommended that the legal name of the Institute remain the New Zealand Institute of Surveyors but that a trading name is created that better reflects the role and functions of NZIS and has better name recognition.*

The top two suggestions for a new name are Survey and Spatial; Surveying and Geospatial NZ; or Surveying + Geospatial NZ.

#### Remove the three-year plan and make the strategic plan the responsibility of the Board

There are currently two strategic documents – a five-year strategic plan prepared by the Board and agreed by the Council; and a three-year plan prepared by the Board. The intent is that the Council sets the broad direction for the organisation and sets the task to the Board of developing shorter-term plans to implement the strategy.

The Council has expressed concerns over its ability to set strategy and there is a perception that it is merely required to “rubber stamp” strategy prepared by the Board. The Board has struggled to develop three-year plans.

There is some confusion over how the Board monitors (reviews) strategy. A Board’s function is to review progress implementing the organisation’s strategy. Reviewing progress is not refreshing the strategy but rather taking the existing performance measures and forming a view on progress.

*It is recommended that the requirement for the Board to prepare a three-year plan be removed from the Rules and that the Board be given responsibility for the development and approval of the strategy following Council consultation.*

#### Empower the Council by it setting its expectations to the Board in a Letter of Expectation

If the Council relinquishes responsibility for the organisation’s five-year strategy it needs a means by which to set the broad expectations of members and the Council. The Council is the representative of the broader organisational membership and members have the right to set out the direction and priorities of the organisation.

*It is recommended that the Rules be amended to introduce a Letter of Expectation (LOE) that the Council provides to the Board. The Council’s LOE should be presented annually to the Board and outline the direction and issues of importance to members.*

The annual Letter of Expectation might comment on short-term priorities. As part of the strategic planning process, the Council may wish to provide more substantive guidance to the Board for its consideration in the development of the strategic plan.

This approach allows the Council to clearly articulate its expectations and priorities for each year and in the strategic planning process. The Board would be required to consider those matters. If, for a good reason such as financial or resourcing restrictions and prioritising issues, the Board decided not to include Council priorities, the Board would need to justify to the Council why it has taken a different path.

In general, the LOE better aligns the relevant roles of the Council as representative of members and the Board responsibility for organisational delivery against the strategy.

Have performance reviews of the Board and Council conducted by the Governance Committee

Performance reviews of the Board are currently conducted internally. A key function of performance reviews is to identify areas of individual or collective development. This can at times be challenging for both the reviewer and the reviewee. The Governance Committee has independent representation and is well placed to provide an external view on performance.

*It is recommended that the Governance Committee be required to conduct annual collective and individual performance assessments and then to work with the Board Chair to identify training and development opportunities.*

Move classes of membership out of rules and into policy

Currently the classes of membership are written into the Rules of the organisation. This means that should there be a need to make changes to classes then these changes need to go to an annual general meeting. This approach is time consuming and restricts agile development or amendment.

*It is recommended that membership classes be moved to become Council -approved policy.*

Remove transition rules.

There are transitional rules in the NZIS's Rules. These are no longer required.

*It is recommended that the transitional rules be removed.*

Appendix A: Review Panel assessment of NZIS governance arrangements against a standardised framework

	Explanatory text	
<b>Clarity and cohesion</b>		
Foundation	Strategic nature – The Board understands that its role is primarily the long-term interest of the organisation on behalf of its owners. This means having a <b>future focus</b> .	Yes
Foundation	Strategic nature – The Council understands that its role is primarily the long-term interest of the organisation on behalf of its owners. This means having a <b>future focus</b> .	Progressing but still needs development
Foundation	Outcomes – The organisation has an outcome-based <b>Statement of Strategic Direction (Strategic Plan)</b> .	Needs a rewrite
Foundation	Ownership –The Board <b>owns</b> the Statement of Strategic Direction.	Board – yes Council – no
Core	Environment – The Board has a <b>clear understanding</b> of the organisation’s operating environment.	Yes Council – good membership but less so organisational
Core	Strategy assessment – Efficacy of current strategies and options for future strategy are central to the Board’s work.	No
Core	Business plan – There is a <b>business plan</b> derived from the Statement of Strategic Direction.	Yes but complex
Core	Annual budget – The annual <b>budget</b> is the financial expression of the business/operational plan.	Yes
Desirable	Facilitated session – In addition to regular boardroom strategic conversations, the Board has a planned strategic thinking session (at least annually).	No
<b>Constitution or Trust Deed</b>		
Foundation	Recently reviewed –The document is <b>up to date</b> .	Yes but noting this review
Foundation	The Board – Board composition, recruitment and tenure are <b>specified</b> .	Yes
Core	Members’ rights – Membership rights are limited to <b>constitutional matters</b> .	Yes
Core	Ultimate governance – The Council is the <b>ultimate governance authority</b> in the organisation.	Yes
Core	Role Clarity –Core governance <b>roles</b> are defined in the document.	Yes but could be clearer
Core	Document language – The document is in <b>plain English</b> .	Yes
<b>People</b>		
Foundation	Recruitment – Board recruitment is undertaken by the Board <b>appointment panel</b> .	Being reviewed – not resourced
Foundation	Diversity –The Board seeks a <b>diverse</b> composition.	Yes
Foundation	Maximum tenure – <b>Board tenure</b> is specified and honoured.	Challenging

Core	Expectations – New directors receive letters of appointment and role descriptions.	Yes
Core	Induction – The Board uses an induction programme.	Yes
Core	Succession planning – The Board has a succession planning system and skills matrix that underpins the recruitment and appointment of directors.	Leadership/ governance streams. Needs more work on developing potential leaders
Core	Positions advertised – All positions are widely advertised.	Yes
Core	Independent directors – Independent directors can be appointed.	Yes
Desirable	Development plan – The Board has a whole-of-Board and individual director development plan.	No
Desirable	Professional review – Recruitment material is professionally reviewed.	Yes
Desirable	Independent perspective – The Board appointment panel has independent representation.	No
<b>Inside the Boardroom</b>		
Foundation	Role – The Board has an agreed and documented view of its role.	Yes  Council less so but developing
Core	Committees – Board committees cover only core governance functions.	Yes
Core	Work plan – The Board has a work plan.	Weak – needs to identify responsibilities
<b>Relationship with the CE</b>		
Foundation	Documented delegation – Delegations to the Chief Executive are clear and understood.	Yes – noting the media policy
Foundation	Performance – The Chief Executive 's performance is based on achievement of outcomes.	CE committee
Foundation	Performance agreement – The Chief Executive has a formal performance agreement in place.	Yes
Core	Ultimate arbiter – The Board as a whole is the ultimate arbiter of the Chief Executive's performance	Yes
Core	Principal adviser – The Chief Executive is a not a member of the Board.	Yes
Core	Relationship – There is a positive working relationship between the Board and the Chief Executive.	Yes
Core	Good employer – The Board is a good employer.	Yes
Core	Relationship – The chair/CE relationship does not interfere with the Chief Executive's accountability to the Board as a whole	Yes
Desirable	Continuity plan – There is an emergency plan for management continuity.	No
Desirable	Protocols – Protocols for Directors contributing beyond the governance role are clear.	No

<b>Board meetings</b>		
Foundation	Leadership – Meetings are well led by the Chair.	Yes
Foundation	Meetings – The Board meets with sufficient frequency.	Yes
Core	Attendance – Director attendance is high.	Yes
Core	Constructive dialogue – Board meetings centre around constructive dialogue.	Yes
Core	Constructive dialogue – Board and Council meetings centre around constructive dialogue.	Yes
Core	Time management –The Board spends its time on governance issues.	No
Core	Future focused – The Board is future focused.	Yes but often operational Council struggles at times
Core	Board papers – Board papers are distributed well in advance.	Mostly
Core	Board only – The purpose of "Board-only" time is understood.	Yes
Core	Principal adviser – The Chief Executive is the Board's principal adviser.	Yes
Core	Agenda – The agenda is "strategically structured".	No– needs work to be better aligned with strategy
Core	Positive behaviour – Boardroom behaviour is positive.	Yes
Core	Optimal meetings – Time and location of meetings are optimal.	Yes – but limitations
Desirable	Pre-meeting – The is a pre-meeting system for seeking further information.	Yes
Desirable	Senior staff – Senior staff make a positive contribution.	Yes
Desirable	Meeting review – Meetings conclude with a brief review.	No
<b>Accountability and ethics</b>		
Foundation	Obligations – Directors understand their duties and obligations.	Yes
Foundation	Collective understanding – There is a collective understanding of the standard at which the Board should operate.	Yes
Foundation	Accountability – The Board has a culture of accountability.	Yes
Foundation	Primary obligation – Directors understand the primary obligation is to the organisation.	Yes
Foundation	Ethics –Board and management policies to cover all areas of ethics.	Yes
Foundation	Interests policy – There is a conflicts of interest policy that is adhered to.	Yes but needs updating
Core	Evaluation – The Board undertakes a biennial assessment.	Yes
Core	Governance reporting – There is a governance section in the annual report.	No
Desirable	Legal register – We have a register of key legal matters.	Yes
Desirable	Director performance – The Board's evaluation extends beyond the "whole of the Board".	No – role for governance committee?
Desirable	Whistle blowing – There is a "whistle blowing" policy.	No
<b>Reporting and monitoring</b>		

Foundation	Policy obligations – The Board is confident that it is fulfilling its legislative and policy obligations.	Yes – Compliance schedule in place
Foundation	CE reporting –The Chief Executive reports against the statement of strategic direction.	Needs work
Foundation	Financial literacy – The Board has a strong financial literacy.	Yes
Foundation	Risk identification – The organisation has an ongoing programme of risk identification.	Yes
Foundation	Risk register – Every meeting receives the risk register .	Yes
Desirable	Risk committee – Do you have an audit and risk committee?	Yes



## Terms of Reference

### Review of NZIS Governance Arrangements

#### Background

- 1 Rule 24.8 of the current Rules of the New Zealand Institute of Surveyors Incorporated (the Rules) stipulates that:

*The Council must ensure that a governance review of NZIS on such terms as set by the Council is completed before the 2018 AGM.*
- 2 The Rules form the primary document governing NZIS. They are supported by policies, practices and procedures that are set by the Council or the Board.
- 3 Following a major review of NZIS, new governance arrangements were put in place following the 2013 AGM. Those arrangements included establishment of a Board (to replace the Executive Committee), Chief Executive Officer, streams, divisions and significant interest groups in addition to the already existing Council and branches.
- 4 The Council has now instigated a review of the governance arrangements and how well they are working. This review will examine the Rules to ensure "best practice governance" that supports an appropriate balance between prescription and the flexibility afforded by supporting policies, practices and procedures.
- 5 In November 2017, the Council directed the preparation of these Terms of Reference, the timeline and budget for the governance review.

#### Objective

- 6 The objective of the governance review is to:
  - review the NZIS governance arrangements introduced following the 2013 AGM and how well they are working
  - undertake a review of the current Rules that have been in force since the last comprehensive review (resulting in the October 2014 rule changes) to determine any further changes that would improve governance (including the clarity of the Rules) and take account of the changing operating environment

- enable the Council to present any changes for adoption by special resolution at the 2018 Annual General Meeting (currently scheduled for 15 November 2018).

### Governance Review Panel

- 7 The Review Panel will comprise members with expertise in governance as well as sound knowledge of the objects and operation of NZIS, as follows:

Position / Representative	Nominee
Chair	Bruce Anderson
Member – Council Representative or person nominated by Council	Mark Allan
Member – Board Representative or person nominated by Board	Andrew Stirling
Member – Membership Representative	Michael Benning

- 8 The Panel Chair will determine how the Review Panel will operate, e.g. the number and type of meetings, in order to execute these Terms of Reference.
- 9 The Review Panel Chair will work closely with the Chief Executive Officer on relevant matters.
- 10 NZIS will provide administrative support to the Review Panel as required.

### Role of Governance Review Panel

- 11 The following matters fall *within* the scope of the review:
- Review of the appointment process (including term and membership class eligibility – currently only voting members) for Councillors and Board members to ensure continuity of depth of governance and management experience, and membership representation
  - Review the success, or otherwise, of the Council, Board, Stream, Division and Special Interest Group Structure
  - Identify other rules that require to be changed or deleted because they are no longer necessary (e.g. some transitional arrangements following the earlier rule revision)

- Review the Governance Manual
- Identify any additional rules that would enhance governance
- Identify new transitional arrangements required to accommodate any proposed rule changes
- Identify any changes that would improve the clarity of any rules
- Identify policies referred to in the Rules that will need to be reviewed to determine if changes are required to accommodate any rule changes proposed by the Review Panel
- Identify any other governance matters for consideration that may lie outside the Rules.

12 The following matter falls **outside** the scope of the review:

- Actual review of operational policies. Review of NZIS policies is a separate exercise that is being undertaken with a view to capturing all policies and timetabling them for on-going review.

### **Consultation**

13 To help inform its work and to involve the members on the fundamental document underpinning their organisation, the Review Panel will canvass the views of NZIS members on:

- any governance changes required to help inform the panel's early deliberations
- any draft rule and other changes proposed as a result of the review.

### **Reporting**

14 The Chair of the Review Panel will report to the Council through the President, by no later than 6 July 2018 on the panel's deliberations, including:

- the Review Panel's recommendations
- reasons for any proposed rule changes, additions and deletions
- the outcome of the consultation with NZIS members
- a marked-up copy of the proposed new rules.

## Timeline

15 The following table sets out the time for activities associated with the review:

Date	Activity
November 2017	Council directed preparation of Terms of Reference for the governance review, timeline and budget
Late January 2018	Council approves TOR, establishes Review Panel and circulates TOR
Early February	Notice to membership advising the review and seeks early comment on rule changes (allow three to four weeks for feedback)
Early – mid-March	Desktop review of rules by Review Panel identifying areas needing revision
End March	Session to develop draft revised rules and identify areas where legal advice may be required
13/14 April	Interim report from Review Panel Chair to Council at its April meeting
Late April	Consider Council's response and amend as required
Mid-May	Seek legal advice (sign-off) if required
Mid-May	Consult with membership on draft new Rules (allow three to four weeks for feedback)
Mid-June	Prepare paper for Council (out of session) approval
6 July	Submit paper to Council
Mid-August	Council (out of session) approval
Mid-August – end October	Period allowed for any final changes, approvals etc by Council
16 September	AGM date, time and venue must be circulated to give members 60 days' clear notice of the AGM
18 October	Agenda for AGM, including notices of motions agreed to by council, must be circulated to give 28 days' clear notice to members
15 November	NZIS AGM

TOR and Budget Approved by Council 5 March 2018<sup>1</sup>



Rebecca Strang  
President

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<sup>1</sup>Approved Terms of Reference of 23 January 2018 updated to include the name of the Membership Representative in paragraph 7.