

# GOVERNANCE RESOURCE MATERIAL FOR COMMUNITY ORGANISATIONS

*Community organisations play a vital role in our communities. Understanding governance is a key to their sustainability*

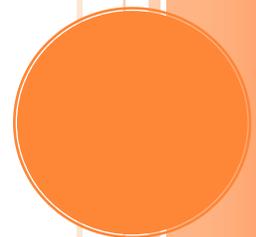
Following is a series of resource leaflets used in Governance Training on the Sunshine Coast in 2015. They were generated to support the enhancement of governance skills and knowledge for small community based organisations.

This document contains material as follows:

1. Why community based organisations are important
2. Understanding the difference between governance and operational management
3. Understanding the governance role of the management committee
4. Lines of authority for community organisations
5. An overview of good governance
6. A checklist for new management committees
7. Strategic planning – Why and How
8. A template for strategic planning
9. Building collaborative relationships within and across communities.

Sunshine Coast Coalition of Community Boards

2016



# COMMUNITY BASED ORGANISATIONS

*Central to the wellbeing of any community*

Community organisations are central to the wellbeing of any community. They provided the mechanism for their members and the general community to work together to achieve a range of outcomes. They are indicators of a thriving community which organises itself to meet the needs of its residents in a whole range of ways. They are indicators of the 'social capital' of your community. Social capital is known as the 'glue' that holds a community together, through networks.

While they are so important, they are also very complex little bodies. There has been massive growth in the number of community organisations over the past 20 years. Knowledge to run organisations is spread so thinly. Confusion and lack of clarity of the roles of Management Committee members, volunteers and paid staff can create tensions and conflicts.

It is essential to know the structure and components of the structure of the organisation. For example, it is important to know the legal structure that your organisation works within, how to be clear about its lines of authority, and to understand both the internal and external factors which have relevance to the organisation.

There are different understandings about the nature and characteristics of community organisations. They are given authority to operate through their constitution. The constitution highlights the importance of membership; and the different, but complementary functions of the management committee and volunteers.

Small community organisations are locality-based and link people who usually live and love the area they live in. They have unique characteristics and many struggle to sustain themselves both financially and in maintaining a stable committed committee. Each organisation involves people who share common interest and agree that together they can make a difference.

Community organisations are legal organisations accountable to the public through its members and the AGM.

Source: Community Organisations – Lines of Authority Bea Rogan 2013

# GOVERNANCE VS OPERATIONAL MANAGEMENT

*Committee, staff and volunteers working together while understanding their different roles and responsibilities*

The Management Committee is the highest authority in the organisation. The Committee has to provide leadership and overall strategy for the organisation as well as assuring everyone that the organisation’s finances are sound, its operations are legal, and its procedures work.

What the Committee does is known as “governance”; what the staff and volunteers do is known as “operational management”. (Management Committee members are volunteers on the governance side and there are also volunteers on the operational side. They may sometimes be the same people, therefore they have a different role and line of accountability when they functioning as a MC member or a volunteer worker.) It is really important that everyone involved in the organisation understands the difference between the two concepts.

Governance is about the “big picture” issues including strategic and business planning, developing policies and procedures, dealing with issues which can not be resolved by staff or require some “independence” from staff or volunteers. Operational Management is about the day-to-day operational aspects of achieving the organisations outcomes.

Governance	Management
A committee approves the overall budget for the year	Staff ensure that this budget is implemented
A Committee approves programming guidelines and procedures for all programs	Staff ensure constituents are well-informed of procedures and monitors performance, taking action according to the procedures when necessary
A Committee approves the procedures for writing a cheque	Staff raise cheques according to procedures

Source: Sector Connect Inc Sept 2010

If the organisation has no paid workers, it may be that volunteers carry out the work which is normally done by paid staff. Confusion can set in when members of the Committee also carry out work which would normally be done by staff.

While the Management Committee has legal responsibilities as an employer, this should not be interpreted that the Management Committee has the right to tell staff how to do their jobs on a daily basis. Management Committees should feel that they trust the staff employed at the organisation to oversee the daily ope

# UNDERSTANDING THE GOVERNANCE ROLE OF THE MANAGEMENT COMMITTEE

The management committee plays an important role in the organisation as both leader and decision makers

Management committee/board members have ultimate responsibility for directing the activity of the organisation, ensuring it is well run and delivering the outcomes for which it has been set up.

Every management committee/board should provide leadership to the organisation by:

- Setting the strategic direction to guide and direct the activities of the organisation;
- Ensuring the effective management of the organisation and its activities; and
- Monitoring the activities of the organisation to ensure they are in keeping with the founding principles, objects and values.
- Management committee members carry out a vital role within the community voluntary sector. Their role is not necessarily about doing, it is about ensuring things are done. Usually the day-to-day management of the organisation will be delegated to paid staff or to volunteers on the operations side of the organisation, although the Management Committees of smaller organisations are often much more actively involved as a volunteer, therefore have to switch roles which can be confusing. As a volunteer within the organisation you may have dual roles and hats, therefore it is important to understand which 'hat' you are wearing at any given time.
- The management committee is the group of people who are held accountable for the activities of the organisation. It is the ultimate decision-making forum.

## Overview of responsibilities

The Management Committee plays an important role in the organisation as both leaders and decision-makers. Their overall responsibilities are summarised below.

### Vision and Leadership

The Management Committee ensures that everything the organisation does supports its vision, purpose and aims. They establish the fundamental values, the ethical principles and strategic direction in which the organisation operates. In the changing environment it determines collaborative arrangements with other organisations.

### Accountability

The Management Committee must account for everything the organisation does, including its spending and activities. The Management Committee is accountable to the membership of the organisation and other key stakeholders such as funders and donors. The Management Committee monitors and evaluates all areas of the organisation's performance.

### Keeping it Legal

The Management Committee ensures compliance with all relevant legal and regulatory requirements and seeks guidance around any uncertainties. Everything the Management Committee and the organisation do must also be in line with its governing document, e.g. constitution or memorandum and articles of association.

### Financial Oversight

The Management Committee ensures that all money, property and resources are properly used, managed and accounted for. In order to be accountable, suitable systems must be in place and kept up to date. Some organisations have developed a Compliance Calendar which outlines on a monthly basis all the accountability requirements of the organisation. This is very helpful for management committee members to keep track of all compliance matters.

### Managing Staff and Volunteers

In organisations that employ staff, the Management Committee is essentially the employer. They must ensure that appropriate policies and procedures are in place for staff and for volunteers, and that both are properly managed and supported. The Management Committee, usually represented by the Chairperson, also directly line-manage the most senior staff member.

# LINES OF AUTHORITY FOR COMMUNITY ORGANISATIONS

A community organisation is a legal problem solving organisation

A community organisation is an important vehicle for communities.

*It is not a network - a network is answerable to itself and its members because it is driven by private agendas of the network as well as its people. That's a network's purpose.*

A community organisation, however, is a public organisation - set up to achieve a public task and be accountable to the public and for the public good.

*There is a lot of confusion between the private world of people involved in community organisations and the public purpose of the community organisation.*

A community organisation is a wonderful organisation - a number of issues have complicated an already complicated little show

A community organisation is legal problem solving organisation. For it to flourish it must have the capacity to solve its own problems. People have not understood this. They often refer to outsiders to solve the problems or sort out the issues. If they bring in Government or Courts they lose own authority and power.

In any problem solving process, there is always the question -who is responsible. This is a key question. In most community organisations there is very little understanding of the mechanisms. There are two parallel levels of authority<sup>1</sup>.

1. Elected

It is the balancing of these two is how accountability and problem solving is constructed.

2. Appointed

**Elected** - Committee is responsible to the membership of the Association

**Appointed - Volunteers and paid staff** - Individually, morally and legally in terms of the organisation should be treated equally. Need to help each other to be accountable. Both have a different focus.

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<sup>1</sup>Anthony Kelly

**Elected** – responsible for the “What” – The big ‘what’ is the constitution and the little ‘what’ is concerned with what programs which will give expression to the organisation’s charter.

**Appointed** – responsible for “How this is to be done - operational management.  
It is inappropriate for the committee to instruct the staff or volunteers on how to do it.

Refer to Governance vs Operational management for more detail on the difference between the roles of Elected and Appointed members of the organisation.

# AN OVERVIEW OF GOOD GOVERNANCE

Boards and Management committee's are "The Guardians of the Mission" and "The Stewards of the Assets and Resources (Jamison 2006)

Community or social services are usually carried out by "not-for-profit community organisations", some of which are registered charities. Most community organisations are incorporated associations, under the Associations Incorporations Act 1981. This is their legal entity.

An incorporated association's Constitution outlines the rules of the Association. Whilst many incorporated associations adopted the 'model rules' set out by the Office of Fair Trading, over the years constitutions are regularly altered by the membership. So therefore, every association's constitution is unique. The management committee are members of the Association and together conduct the **Governance functions** of the Association from AGM to AGM. These members are voted in or elected by the Association's members at the organisation's Annual General Meeting each year. They voluntarily give of their time. Vacancies on the management committee may be filled at other times outside of AGM's, depending on what is said in the rules about this.

All the activities that occur within community organisations can be placed into two distinct categories or functions – "**Operational management**" and "**Governance**".

The **operational management functions** of the organisation involve the work of paid and unpaid staff (volunteers). These people are sometimes referred to as "the appointed", as opposed to the management committee who are the "elected", because the elected are responsible for appointing staff on the operations side of the organisation. Usually the responsibility for the operational level of the organisation rests with the senior worker (Coordinator or Manager) and they can be given delegated authority from the management committee to appoint all staff, paid and unpaid, on the operations side of the organisation. (See "Lines of Authority & Responsibility handouts). The operations work of the organisation flows from four main sources:

- The organisation's Constitution which outlines "The Objects" or purpose of the organisation;
- The funded program work as outlined within service agreements with funding bodies (service agreements are legal contracts between the community organisation and the funding body);

- Internally funded program work;
- Any other work that is part of the service delivery of the organisation (this may be resourced voluntarily) eg events, fundraisers etc.

All these above are incorporated into the organisation's Strategic Plan. Strategic planning processes are usually done every three years, with a review of the plan and how the organisation is travelling in relation to the goals, every year.

The responsibility for good **Governance** of a community organisation lies with the management committee or board. However, often, specific governance tasks are delegated to paid staff to carry out, with reporting mechanisms in place back to the management committee, who are ultimately responsible for the tasks.

The definition of Governance includes:

- Ensuring compliance with legal and financial requirements
- Monitoring and supervision of staff
- Formulation of realistic strategic plans
- Development of policies and procedures
- Recruitment of committee members

The role of the management committee includes accepting responsibility for all aspects of the organisation. This includes:

- Protecting the organisations':
  - People
  - Property
  - Income
  - Reputation
- Delegating authority for tasks, duties and responsibilities:
  - Within the management committee
  - To employed staff
  - To volunteers
- Formulating:
  - Policies and procedures and
  - Terms of Reference for Sub-committee's / working groups (which set boundaries and provides guidelines for activities)
- Reporting to relevant stakeholders:
  - Its own members (at AGM – Chairperson's / Treasurer's / Auditor's / Worker's reports)
  - Office of Fair Trading

- Australian Tax Office
- Complying with relevant legislation:
  - Awards (for paid workers)
  - Associations Incorporations Act
  - Privacy Legislation
  - Community Services Act or Disability Service Act (or others that outline minimum standards)
- Considering the organisation's level of risk in relation to all activities and taking adequate precautions –
  - ensuring risk management policies and procedures are in place;
  - appropriate insurances;
  - sound financial management;
  - employing competent staff and providing adequate training, supervision etc;
  - dealing with issues that could put the organisation in some sort of higher risk category in an appropriate and timely manner (eg as they arise / seeking appropriate advice etc);
- Formulating a Strategic Plan that assists the organisation to achieve goals and objectives in accordance with the: Association's Objects; governance functions including: legal obligations, financial obligations, human resource management; and operational functions including: service delivery contracts and other program work. Strategic plans are usually made for a two – three year term, with annual reviews to check on the progress of the objectives and strategies of the various goals.

The Governance functions of an organisation, carried out by volunteer management committee members, are considered the 'backbone' of an organisation - from which all other functions flow, and relate to. Community members who give of their time to a management committee are playing an essential role, and are highly valued for their significant contribution to the organisation and to their community.

### **Governance can be summed up in one word “Accountability”**

- Management Committee's have “Fiduciary Duties”
- Fiduciary *n.* of, held or given in, trust. (Oxford Dictionary)
- Fiduciary duties in context: management committee members hold a position of **trust**, meaning that they are **accountable** up the chain.
- An important key concept is the “**Legal Authority / Accountability Chain**” it looks like this:

## Members

(These are who the organisation are)



## Board / Management Committee

(The Constitution forms the contract between the Members and the Boards)



## Staff

The legal authority flows down (delegation), accountability flows up – back to the board and members. There is a ‘handing over’ or delegation of power from the organisation’s members to the committee (through an election process at the AGM), who are the stewards of the organisation for that year; then the committee can delegate functions to staff members, however, they remain accountable.<sup>2</sup>

- Committee members have fiduciary duties to exercise “with reasonable skill, care and diligence, and to act in good faith” – not to misuse their positions or information they obtain in their roles eg avoid conflicts of interest and to only wear one ‘hat’ at a time.
- Accountability: Management committee’s have power, but they are also stewards, so therefore are ultimately accountable for all aspects of the organisation. The basics (bottom line) of Accountability include – that everyone on the committee understands the organisation’s services; and that everyone on the committee understands the finances.
- Understanding the finances includes: knowing if the organisation is trading insolvent eg continuing to do business when there are reasonable grounds to expect your organisation is unable to pay its debts when they are due. The law says that a board member is expected to be capable of understanding the financial affairs of the organisation. Q: How would we know we are insolvent? A: through financial monitoring of: cash flow; monthly profit and loss; and balance sheet (what we own and what we owe). If everybody on the committee isn’t confident in their abilities to read the financial reports, they should be trained to do so.
- **Openness to have a discussion** – accountability also means that it’s necessary to have an openness to discuss matters that we are concerned about (sometimes referred to as a ‘culture of candour’; it’s ok to ask staff

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<sup>2</sup>Adapted from notes taken at the 2006 Caboolture Governance Conference – Key Note Speaker, Elizabeth Jamison from *Board Matters*.

the hard questions, or to make them feel a little uncomfortable, because committee members are ultimately responsible). Unfortunately, in relation to governance, a few rotten apples have abused power, so accountability has increased for all of us.

- Fine Art of Governance – is about balancing our accountabilities eg like in a circus act – the many spinning plates, can't let any of them fall....
  - AGM report to members
  - Funding bodies – contractual agreements (service agreements)
  - And to the community at large

Boards and Management Committee's are 'the guardians of the mission' and 'the stewards of the assets and resources'. They are also sometimes referred to as the 'thinkers' of the organisation (Jamison 2006).

There's no doubt that the level of sophistication and accountability for governance has increased in recent years. Many high profile corporate collapses, most notably, HIH Insurance has put pressure on us all. And in our litigious society it is important to have in place all sorts of quality assurance and risk management processes (eg community service standards for instance, for organisations with contracts through the Department of Communities). Though we strive to do the best we can, we do not do Governance for the sake of it, but for achieving our organisation's **mission** – i.e. for "not-for-profit" organisations, activities are conducted and the profits are put back into the organisation to enact its mission. This is opposed to Governance taking on a different focus with "for-profit" corporations – where profits are put into the pockets of shareholders.

The Government's definition of Governance is "how organisation's are directed and controlled". So if the aim of Governance is to direct and control, but most importantly, to achieve the mission of the organisation.

The governance of an organisation is a big responsibility for members to collectively take, however the good news is that there is not a situation in an organisation where there is not an appropriate process, structure or system that can be developed or used to respond to the situation (those that are unpleasant or not).

Developed by Tina Lathouras, *Governance Training for Management Committees*

# A CHECKLIST FOR NEW MANAGEMENT COMMITTEE MEMBERS

Every committee members should have support to understand their responsibilities. The following checklist sets out a plan and process for all new management committee members.

Organisation:

New Committee Member:

Date:

Have you ensured that the new member has been given a copy of the following and has someone explained each one to them?

- Allocate a buddy from Management Committee
- Policies and Procedures (where located)
- Occupational Health and Safety Procedures
- Insurances and Compliance requirements
- Staff information
  - Names
  - Position
- Strategic Plan (copy)
  - Vision
  - Fundamental values the organisation operates from
  - Aims and objectives of the organisation
  - Strategies for the next 12 months to 5 years
- Constitution (copy)
- AGM process

# STRATEGIC PLANNING – WHY AND HOW

If you don't know where your organisation is going, any road will get you there.

## What is a Strategic Plan?

Management Boards and managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives. That's why a business review or preparation of a strategic plan is a virtual necessity. This may not be a recipe for success, but without it an organisation is much more likely to stumble and sometimes even, fall. A sound plan should:

- Serve as a framework for decisions or for securing support/approval.
- Provide a basis for more detailed planning.
- Explain the business of the organisation to others in order to inform, motivate and involve.
- Assist benchmarking and performance monitoring.
- Stimulate change and become building blocks for the next plan.

A strategic plan should not be confused with an operational plan. The former is likely to be a (very) short document whereas an operational plan is usually a much more substantial and detailed document. A strategic plan should be visionary, conceptual and directional in contrast to an operational plan, which is likely to be shorter term, tactical, focused, implementable and measurable.

As an example, compare the process of planning a vacation (where, when, duration, budget, who goes, how travel are all strategic issues) with the final preparations (tasks, deadlines, funding, weather, packing, transport and so on are all operational matters).

A satisfactory strategic plan must be realistic and attainable so as to allow Boards to think strategically and managers to act operationally. (Rogan Community Planning June 2014)

# STRATEGIC PLAN TEMPLATE

Keep it simple, easy to use and understand for everyone in the organisation.

## Who are you?

An overview of your organisation

## Vision

The vision of your organisation in 3-4 year's time is:

## Mission Statement

The central purpose and role of your organisation is defined as:

## Fundamental Values/Principles

The fundamental values governing your organisation development will include the following:

- .....
- .....
- .....
- .....

## Strategic Goals

Longer term Strategic goals of your organisation are summarized as:

- .....
- .....
- .....

## Key Strategies

The following critical strategies will be pursued by your organisation:

- .....
- .....
- .....

- .....
- .....
- .....

Key Targets/Milestones

The following key targets will be achieved by your organisation over the next 1-5 years:

<b>Targets</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 4</b>	<b>Yr 5</b>

# BUILDING COLLABORATIVE RELATIONSHIPS WITHIN AND ACROSS COMMUNITIES

Responding to the changing social and policy environment requires organisations to respond in different and new ways.

## **Working Collaboratively**

Working collaboratively is an objective shared by many people and organisations across the Sunshine Coast. Over the past few years it has and is a focus of many agendas and forums. The recent Sunshine Coast Futures Conference as one example.

Building collaborative relationships is also the focus of the Sunshine Coast Coalition of Community Boards (SCCoCB). It is a mechanism, established in 2014 which promotes collaboration across boards /management committees as a means to contribute to the viability of organisations and to strengthen the collective voice of community organisations on the Coast.

Over the past 12 months, with funding from the Queensland Community Foundation, the SCCoCB focused on setting up forums and governance workshops to facilitate relationship building and skill development within and between organisations across the Coast. Collaborative process work will continue over the next 12 months to contribute to strengthening relationships between small organisations within different localities across the Coast.

Collaboration provides an opportunity for organisations to share knowledge and skills; develop shared projects with common goals; develop collaborative tender models within and between localities etc. Within the current environment and government procurement priorities, working together is an important strategy to explore for the future.

Finding the new ways to work and respond in this current and changing environment means that new arrangements are required across small organisations. This will require organisations to think about collaboration, think about what other organisations/s share the same values and goals in some areas, gentle getting together processes over time, leadership around the collaborative processes and commitment of Board/management committee to these processes.

While collaboration processes will produce new and innovative outcomes it does

not happen by waving a magic wand. Collaboration requires:

1. A commitment and decision from Management Committee/Boards
2. Allocation of resources to explore and develop
3. Developing agreed goals and shared commitment of all involved
4. Leadership and regular reviews.

The following table outlines the steps in the development of collaborative arrangements between community organisations

ACTION 1	<ul style="list-style-type: none"> <li>• Make a decision to explore collaborative opportunities</li> <li>• Think about who shares interests/values or opportunities presenting</li> <li>• Make Contact</li> </ul>
ACTION 2	<ul style="list-style-type: none"> <li>• Get to know each other</li> <li>• Explore what you could do together</li> </ul>
ACTION 3	<ul style="list-style-type: none"> <li>• Decide on what might be possible</li> <li>• Write down agreed objectives and vision</li> <li>• Develop a communication system</li> </ul>
ACTION 4	<ul style="list-style-type: none"> <li>• Determine who will do what to achieve agreed possibilities</li> <li>• Write down what tasks need to be done and who will do them</li> <li>• Develop an agreement and have it signed off by the MC/s</li> <li>• Action – Action - Action</li> </ul>
ACTION 5	<ul style="list-style-type: none"> <li>• Review/report and evaluate</li> <li>• Decide on what happens next</li> </ul>

Collaboration then becomes a new agenda item for community organisations. Building up collaborative practice wisdom is being explored in many other areas outside the Sunshine Coast and the opportunity to share in that wisdom hopefully will be shared in the future.