

# Principles of Good Governance Discussion Document

SCFNZ has developed and adapted this document utilising: *Good Governance Principles and Guidance for Not-for-Profit (NFP) Organisations, Australian Institute of Company Members*. The full document can be viewed at: <http://www.companymembers.com.au/member-resource-centre/not-for-profit/good-governance-principles-and-guidance-for-nfp-organisations>

## Introduction

Safe Communities Foundation NZ is an incorporated not-for-profit charitable organisation and every local Safe Community's structure and governance falls within the Not-for-Profit sector in one form or another.

There is no standardised structure for Safe Communities. Some Safe Community programmes are set up as a section within a territorial authority, district health Committee or primary health organisation. Other governance groups opt to become part of a larger not-for-profit umbrella organisation. The host agency then usually acts as the fund-holder, employs or contracts the services of the coordinator, and may provide office space and other support. Some Safe Communities have become independent legal entities, usually a charitable trust. This allows the programme to be completely autonomous rather than within a host agency.

Corporate governance refers to the systems and processes put in place to control and monitor – or 'govern' – an accredited Safe Community. Good governance is embedded in the good behaviour and the good judgement of those who are charged with running the programme. For the purposes of this document, and to be consistent with other related documents, the following terminology applies:

- ❖ Safe Community Governance Group is the group responsible for the governance. It may be called a Steering Group, Committee, Executive, Partnership or similar. It is distinct from any operationally focused committees or working groups
- ❖ Safe Community Coalition is the wider collective of agencies that are committed to the Safe Communities programme.

Good governance can offer a number of important benefits to Safe Communities, including:

- Better organisational strategies and plans
- Improved operational effectiveness
- More prudent regulatory compliance, financial and risk management
- Improved member and stakeholder engagement and communication flow
- Increased likelihood and degree to which an organisation actually delivers on its purpose

Effective governance structures allow organisations to create value, through innovation, development and exploration, and provide accountability and control systems commensurate with the risks involved.

As there is such diversity of Safe Community structures in the sector, it must be acknowledged there is no "one size fits all" good practice solution for effective governance.

## Principle 1: Roles and Responsibilities

There should be clarity regarding individual Committee member's responsibilities, organisational expectations of members, and the role of the Committee.

It is inappropriate and unwise to simply have individuals join Committees and expect that they should know, "innately" or through "osmosis", what is expected of them and how the Committee operates. This

is particularly the case where an individual is appointed to a Committee and they have no, or relatively little, Committee experience.

A sensible approach to help set clear expectations is for all new members to receive a 'Letter of Appointment' or engagement (consistent with the organisation's constitution) that sets out details such as:

- How they were nominated/appointed and from what date
- Their role, responsibilities and duties
- The term (length) of their appointment and any conditions or limits
- Expectations in relation to their governance role, potential advocacy, fundraising and any operational or public profile activities
- Any induction process or handbook containing essential documents including the Terms of Reference and any other relevant information

While part of a Committee's role is to oversee the operations and finances of the organisation, it is usually also externally focused and concerned with the larger context and "settings" of the organisation.

The role of the Committee usually involves certain core elements, such as:

- Determining, reviewing and maintaining the vision, purpose and values of the organisation
- Approval of short and long-term strategies
- Approval of annual budgets
- Approval of expenditure over pre-specified limits
- Appointment, performance evaluation and (if the circumstances necessitate) termination of the employment contract of the Coordinator
- Risk oversight
- Providing a check on the integrity of external financial and non-financial reports
- Any additional monitoring of the activities of the organisation in order to satisfy itself that the Safe Community programme is being properly managed
- Supporting effective engagement with key stakeholders

Management, on the other hand, tends to focus more on operational detail. Within a Safe Community, the day-to-day management of the programme and coordinator may be delegated to an officer within the host organisation, and/or through a steering group, or is undertaken by a member or sub-committee of the Committee. Regardless of how it is done, there needs to be clear lines of communication and accountability for the Coordinator, and operational oversight of the programme.

The role of management is often described as being responsible for implementing the strategy approved by the Committee, to get the right results and deliver the right outcomes (depending on the organisation's performance), without too much direct Committee involvement.

Some organisations seek to have various stakeholder groups "represented" on the Committee. This can help to promote an appropriate diversity of views and add to a sense of involvement by those groups "represented". Committees can experience difficulties, however, if individual members regard themselves only as representatives of a particular group. This can give rise to factions and Committee-room in-fighting, reducing the ability of Committees to operate effectively. The absence of a collegial approach to decision-making can lead to highly dysfunctional outcomes, including decision paralysis.

It is important to remember that even though a member's appointment may be because he or she is associated with a particular group or might look like they represent certain "constituents", members must in practice act in the interests of the whole organisation and apply an independent mind to the Committee's work and decision-making.

## **Principle 2: Committee Composition**

..A Committee needs to have the right group of people having particular regard to each individual's background, skills and experience, and how the addition of an individual builds the collective capability and effective functioning of the Committee.

To be effective a Committee needs the right group of people, with an appropriate mix of skills, knowledge and experience (e.g. professional backgrounds, industry experience, philanthropic support) that fits with the organisation's objectives and strategic goals. This should be considered not only when new appointments are being contemplated or made, but in the context of regular Committee evaluations.

Is there a well-defined and transparent process for Committee recruitment, including nomination and selection? How are decisions made concerning the number and representation on the Committee?

A simple transparent approach for the selection, appointment and re-appointment of members to the Committee helps promote confidence among stakeholders as well as an understanding of what is required for potential member candidates.

There is also a need for members to be able to give sufficient time and effort to their Committee role, recognising that they are busy people in the context of their own work in their respective agencies. The desired time commitment required of members should be considered and employing agencies should enable representation on the Committee to be part of the KPIs of the member.

The high turnover on some Safe Community Committees can be an issue for Committee effectiveness and makes it important the Committee has a well thought through and articulated strategy for its own renewal.

Those new to membership may think that a large Committee offers the opportunity to add a wider array of skills and experience. However, there comes a point where the size of a Committee becomes unwieldy, difficult to control, and diminishes the Committee's deliberation and decision-making effectiveness (e.g. speed of decision-making, ability to reach a consensus). It may be sensible to begin with a relatively small Committee (for smaller communities, say perhaps four or five members). As a general guide, the Committee should, on the one hand, be small enough to have high quality, active discussions, but on the other hand, big enough to provide the skills and experience necessary for the Committee to operate effectively. It is easier to build up the Committee than to reduce it once people and structures are in place. Over time, as gaps in the Committee's knowledge, skills and experience become apparent, particularly as circumstances change, appropriate changes can be made to the Committee. Ideally this would occur as part of an established process of Committee assessment and renewal.

### **Attributes of a good Committee Chair**

Appointing the Chair(s) is critical as this role has a leadership function, a public profile, and is a key link to SCFNZ. The process for appointing, replacing, rotating the Chair needs careful consideration and should be documented.

Key areas of responsibility for the Chair(s) include:

- **Overseeing the membership of the Committee**
  - ensuring that Terms of Reference are in place concerning membership of the Committee and that these are reviewed regularly
  - following-up with agencies/representatives concerning attendance and participation
  - ensuring that replacement members are appointed promptly
  - working with the Committee to identify potential and appoint new members

- Chairing of Committee meetings
  - being fully prepared
  - exercising capable leadership of meetings
  - ensuring good governance processes are followed
- Managing the functions of the Committee
  - delegating roles and areas of responsibility to Committee members
  - ensuring that activity reports and accounts are received and monitored
  - ensuring that key tasks are completed including strategic/business plans, Annual Reports, Annual Governance Group Surveys, reports to funders, Council committees
  - ensuring that the Committee secures sustainable funding for coordination
- Supporting the Coordinator. While the coordinator should have a line supervisor through the host agency, it is important that the Chair retains a close working relationship with the coordinator.
- Undertaking communications functions including public meetings, workshops and forums, and with the media
- Liaising with Safe Communities Foundation NZ on local, regional and national matters

### **Principle 3: Purpose and Strategy**

The Committee plays an important role in setting the vision, purpose and strategies of the organisation, helping the organisation understand these and adapting the direction or plans as appropriate

#### **Key functions of the Committee typically include:**

- Determining the vision and purpose of the organisation
- Setting strategic organisational objectives aligned with the purpose
- Working with management of the organisation to develop a set of plans that align with the vision, purpose and strategic objectives
- Supporting management in its implementation of the plans
- Monitoring and evaluating the degree of success against these plans and objectives

A vision by its nature is usually aspirational. It sets out what the organisation wants to accomplish into the future, and should be something that inspires members, staff, volunteers, financial supporters and others. It is considered good practice to have an organisation's vision, purpose, strategic goals and plans clearly articulated and outcomes measured in an appropriate and agreed way. However, many Safe Communities face challenges when attempting to define and measure success. Defining and measuring success can be very difficult conceptually as a result of the nature of their purpose and/or strategic objectives, and require refinement from time to time.

It is necessary to periodically review (e.g. every 3-5 years) the organisation's vision, purpose and strategies to determine whether they are still appropriate for the organisation or need amending. Occasionally purposes may be brought into question, for example, because they no longer align with reality, they are unmanageable because of their breadth, or they become impractical. Similarly, the validity of existing strategies may be brought into question, for example, as a result of goals achieved, changing external circumstances and/or in light of past experience.

#### **Principle 4: Risk: Recognition and Management**

By putting in place an appropriate system of risk oversight and internal controls, Committees can help increase the likelihood that their organisation will deliver on its purpose.

It is often helpful to think about risk in a strategic and cultural context: getting on top of risk matters will enable the Safe Community Committee to do the things it needs to do and make it more robust. For many Safe Communities their ability to achieve their purpose relies upon them showing they have appropriate, effective and current risk management controls, systems and processes in place.

It can be helpful to think of risks in broad categories, such as:

- Compliance risks (e.g. failure to lodge statutory information in allowed time)
- Financial risks (e.g. loss of funding, insolvency, expense blow-out)
- Governance risks (e.g. ineffective oversight)
- Operational or program risks (e.g. poor service delivery)
- Environmental, including event risks (e.g. natural disasters and states of emergencies)
- Brand and reputational risks (e.g. due to worsened stakeholder or community perceptions, from major event failure or adverse commentary on performance via traditional and/or digital and social media channels)
- Strategic risks (e.g. stakeholder behaviour change, increased competition for funding)

Are there appropriate policies and procedures in place to enable effective oversight and management of risks, including but not limited to identification of principal risks (e.g. on-going funding) and effective management of those risks?

#### **Principle 5: Organisational Performance**

The degree to which an organisation is delivering on its purpose can be difficult to assess, but this can be aided by the Committee determining and assessing appropriate performance categories and indicators for the organisation.

Committees should identify the resources (human, financial, physical and intellectual/intangible) they need to deliver on their purpose and plan how those resources will be made available to and best managed by the organisation.

Once an organisation has decided on its purpose and related strategies it is common practice as part of a strategic planning process to choose measures or indicators that enable the Committee to track progress i.e. the key performance indicators (KPIs) to measure the organisation's performance on execution of its strategy and achievement of its purpose. In this regard, Committees need to consider, with regard to the purpose of the Safe Community, which performance indicators are most appropriate in the organisation's circumstances (e.g. activities undertaken, funder requirements, etc), and which indicators should be chosen for measurement purposes.

Is there a clear and agreed view among Committee members and key stakeholders as to "what success looks like" for the Safe Community (qualitative and quantitative outcomes)?

#### **Principle 6: Committee Effectiveness**

A Committee's effectiveness may be greatly enhanced through: careful forward planning of Committee-related activities; Committee meetings being run in an efficient manner; regular assessments of Committee performance; having a Committee succession plan; and the effective use of sub-committees, where appropriate.

To improve a Committee's effectiveness the members should consider:

- Appropriate Committee structures
- Planning activities in advance
- Running meetings efficiently
- Assessing Committee and member performance regularly
- Making effective use of Committee sub-committees
- Committee succession planning
- It is common for many Committees to use a "Committee calendar" and have a work plan, whereby important and recurring governance matters are assigned to particular Committee meetings. For example, matters such as approval of budgets, a Committee strategy session, approval of financial statements, Coordinator performance review and remuneration review.
- Many Committees also have a program of stakeholder engagement.

Elements of a good Committee meeting would typically include:

- A clear, concise and focused Committee agenda, covering the right matters
- Papers delivered in good time (from the Coordinator and other reporters) containing relevant, timely and accessible intelligence in a style and format that enables appropriate analysis
- Prepared participants
- An effective meeting chair
- Relevant, robust and respectful debate
- Minutes that accurately record information and decisions, that are finalised promptly

Part of the chair's role would include:

- Having the meeting start and finish on time
- Helping to ensure important issues are included on Committee agendas and Committee members have sufficient time to read Committee papers
- Promoting inclusive debate and an appropriate tone throughout discussions
- Dealing effectively with dissent

Factors that contribute to poor meetings include:

- Poor performance by the chair
- Absenteeism by Committee members
- Conflict of interest issues not being appropriately dealt with
- Dominant chairs and/or Coordinators taking over Committee meetings/making decisions without sufficient regard for other members' views
- Committee members seeing themselves as representing the interests of a particular stakeholder or group of stakeholders rather than the interests of the organisation as a whole
- Inappropriate agenda and papers (e.g. too detailed or not detailed enough, important information is missing or buried, wrong ordering of items of Committee papers)
- Not enough time allowed for pre-reading and/or Committee discussion

The Committee should periodically review its effectiveness with a view to taking steps to improve the quality of its governance, Committee-room discussion and decision-making. In some cases this review might include use of an external facilitator and a formal Committee or governance assessment tool.

## **Principle 7: Integrity and Accountability**

It is important that the Committee have in place a system whereby: there is a flow of information to the Committee that aids decision-making; there is transparency and accountability to external stakeholders; and the integrity of financial statements and other key information is safeguarded.

The “health” and performance of the organisation are critical items for the Committee to be focusing on as part of its regular monitoring. It is generally regarded as useful for Committees to have a report from management at each Committee meeting that, among other things, gives a good sense of:

- How the organisation is tracking against its purpose and plans; the financial health of the organisation
- Major strategic project reports
- Material risk updates
- Any important regulatory, compliance and reporting obligation matters

Is the Committee provided with relevant, timely and accessible updates and intelligence in a style and format that enables ready understanding and appropriate analysis?

Organisations should seek to ensure that their financial standing is sound and that their systems of financial reporting and assurance have integrity.

The Committee should accept responsibility for overseeing the integrity and assurance of the organisation’s financial position, performance and reporting.

## **Principle 8: Organisation Building**

The Committee has a role to play in enhancing the capacity and capabilities of the organisation they serve.

A fundamental part of the Committee’s role in serving the best interests of the organisation is to ensure the organisation develops and implements strategies and supporting policies to enable it to fulfil its purpose consistent with the objectives set out in the organisation’s constitution. Generally speaking, organisations should identify the resources (human, financial, physical and intellectual/intangible) they need to deliver on their purpose and plan as to how those resources will be made available to, and best managed, by the organisation.

### **Considerations in this regard include:**

- The capabilities of the Coordinator and the management team (however that is structured)
- The knowledge, skills and experience that reside with the Committee
- The financial resources available to the organisation
- The degree to which the culture and behaviours necessary to execute current strategies and deliver on purpose are present
- In some cases, a choice may need to be made whether to try increase an organisation’s capability to deliver on its stated purpose and strategies, or to alter its purpose and/or strategies.

The appointment of a Coordinator is a critical factor to the success of an organisation. A core part of a Committee’s activities involves appointing and managing the performance of an appropriate Coordinator. Refer to the Coordination Discussion document for further guidance on this.

## **Principle 9: Culture and Ethics**

The Committee sets the tone for ethical and responsible decision-making throughout the organisation.

The culture of an organisation could be thought of as its “personality”. It is represented by shared values, norms, practices and core beliefs that shape behaviour. Organisational culture is sometimes described as “how we do things around here”.

The culture of an organisation therefore influences what it does, its relationships with stakeholders and its reputation. It can also be an important determinant of whether the organisation is able to achieve its strategic objectives and deliver on its purpose.

A Committee and its individual members have a leading role to play in promoting a healthy culture for the organisation they serve. Clearly the chair has a leadership role in this context to set the standard for others to follow in terms of culture. Committees can ill afford to ignore cultural considerations because, whether through conscious actions or otherwise, the culture and ethos of an organisation will be heavily influenced by what happens at the Committee level. To repeat an ancient Chinese saying, “the fish rots from the head”.

Recognising the relationship between culture and strategy, many Committees take a conscious and active role, both at a Committee and an organisation-wide level, in promoting the culture and behaviours necessary to deliver on purpose. Some organisations set out elements of expected conduct and ethical standards in “codes of conduct”. One area of particular focus has been to put in place arrangements aimed at having potential conflicts of interest dealt with appropriately, including policies and procedures concerning the identification, declaration and management of conflicts.

Many desired behaviours that promote a healthy culture in the Committee-room are often unwritten, such as:

- Arriving at Committee meetings on time and staying until the meetings end
- Reading Committee materials in advance of meetings
- Not talking over others or monopolising Committee discussions
- Giving each Committee member the opportunity to speak
- The asking of questions not being discouraged or frowned upon
- Committee issues being dealt with in the Committee-room and not “in the lift lobby” or externally

A well-functioning Committee will necessarily entail a high-level collegiality and mutual respect, but at the same time recognise the need for constructive discussion and debate where appropriate.

## **Principle 10: Engagement**

The Committee helps an organisation to engage effectively with stakeholders

### *Who are stakeholders?*

A person, group or organisation that has interest or concern in your Safe Community. Stakeholders can affect, or be affected by, the Safe Community’s actions, objectives and policies. Some examples of key stakeholders are the people and/or groups served by the Safe Community: partner agencies, wider coalition groups, funders, targeted populations and the broader community.

### *What is stakeholder engagement?*

The interactions that a Safe Community has with its stakeholders, including the communication by stakeholders of their views to the Committee and by the Committee of its perspectives to stakeholders.

### *What is effective stakeholder engagement?*

Successful stakeholder engagement requires a commitment to engage actively with stakeholders; listen to them, talk to them about why your organisation exists, what it does and build a relationship with them in a mutually beneficial way. Engagement is not an end in itself, but a means to help build better understanding and relationships with the individuals, groups, departments or other entities with whom the Safe Community intersects.

### *Why does it matter?*

Better stakeholder engagement has the potential to provide useful information to the Committee (e.g. how the Safe Community and its purpose are perceived, possible funding risks or opportunities, strengths and weaknesses, potential strategies); improve relationships with stakeholders (e.g. build goodwill, address potential issues); and increase the likelihood that the Safe Community is able to deliver on its purpose. Accordingly, if they have any impact on achieving your objectives, it is important to work out who your stakeholders are, understand what matters to them and why, then connect with them effectively.

Engagement with key stakeholders can be particularly important when setting or considering changes to the purpose of the organisation. In short, it is important for Safe Communities to respect the rights of members, and engage and communicate effectively with all other relevant stakeholders.

### *Communication*

Good two-way communication to and from the Committee, which is transparent and provides clarity, is often key to effective stakeholder engagement.

By definition, Safe Communities basically start with a good reputation: whatever their vision and purpose, they are acting in the interests and for the benefit of others. Reputation can be described as the sum of perceptions about an organisation (and its people and actions) held by the people with whom the organisation intersects in the areas where the organisation operates i.e. their stakeholders.

While an NFP may be performing very well and working solidly to achieve its purpose, perceptions regarding its efforts may not reflect that truth, and it may not enjoy the reputation it deserves. It can be as simple as influential people being unaware of the good works or having an uninformed perception. Practically, this may mean a potential contributor, benefactor or relevant government body is not in a position to assist or offer advice purely because they are not sufficiently acquainted with what is going on.

At a minimum, good practice would usually include the Annual Report setting out the extent to which the organisation has achieved its stated objectives in a way that people with an interest should be able to understand.

For larger Safe Communities a Communications Plan should be adopted that traverses the range of communication tools, and diversity of audiences. In this context, there may be opportunities for members to be effective advocates on behalf of the Safe Community. Members' participation in a simple briefing to key stakeholders may prove to be an effective way to promote clarity and better understanding. Similarly, members' participation in community meetings, for example, may promote confidence and accelerate the achievement of goodwill not easily achieved by the best written communication.