>>connect

NEWSLETTER OF UNITING RESOURCES, NSW SYNOD >> ISSUE 5 >> WINTER 2007

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GOVERNANCE: *Our special duty of care*

In this issue of *Connect*, we look at "governance".

This has been a buzzword for the last decade and the lack of governance is often blamed for the collapse of major corporations.

Not surprisingly, poor governance is also often a major factor behind instances of financial and dysfunctional difficulties in the life of our own church.

What is governance?

The first thing to point out is that there is no universally accepted definition of governance.

Let's start with the concept of corporate governance, which is a form of governance that relates to corporate entities operating in a commercial environment.

The Australian Stock Exchange has developed a set of governance principles which provides the following definition:

"Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised."

It is a framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations. It encompasses the mechanisms by which companies, and those in control, are held to account.

Does the concept of "governance" apply in a church and non-for-profit entities?

The answer is absolutely yes! The language will be different to the corporate and secular world, but the principles will very much apply.

The situations in the church where good governance practices are essential will vary greatly, ranging from a committee of a small congregation to Uniting Financial Services, which is an incorporated entity overseeing over a billion dollars of church funds.

In the context of the church, stewardship is a closely linked concept to governance in the sense that stewardship is to hold something in trust for another. God owns everything and we are asked to exercise stewardship over the resources and gifts entrusted to us.

This means we must have a clear understanding of what our mission is in relation to

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the resources entrusted to us. As a consequence, there must be appropriate rules, structures, processes and systems in place that allows us to achieve this mission whilst managing risk and ensuring it is done according our values and ethos.

This is governance.

Key components of governance

While there is an array of definitions, governance models and approaches, there seem to be some key common components that will apply to almost all situations: Mission, vision and values; Defining governance and context; Accountability and stakeholders; Defining governance roles; Improving governance processes; Key governance functions; and Continuing improvement.

A governance charter

The importance of having a documented governance process can't be emphasised enough — it is critical. This is often referred to as a "governance charter".

A governance charter generally contains documentation for each of the key components listed above. The extent to which these key components are analysed and documented depends on the complexity and size of the governance function.

Conceptually, a governance charter can be constructed as in figure 1.

Each of these key components is discussed below.

Mission, vision and values

The starting point to understanding a governance role is understanding what it is that the committee, board or responsible group is there for, what are they meant to achieve and what is the value system this will occur in.

Without a clear understanding of this, it will be analogous to a crew of a ship being told to set sail for an unspecified destination with no map.

Most church councils, boards and entities generally undergo a prayerfully considered strategic planning exercise that determines their goals and strategies and the values that will be adopted in achieving these goals.

This should be included at the beginning of the charter.

Defining governance and context

A clear definition of governance should be included that is appropriate to the given context.

Defining the context should also include identification of what main set of rules apply. This can include Uniting Church Regulations, Synod by-laws, OH&S Act, Corporations Act, Tax legislation and so on.

It may be necessary in certain circumstances to establish whether members of the governing body can be seen as directors and, if so, whether they are directors under common law or directors under corporations law.

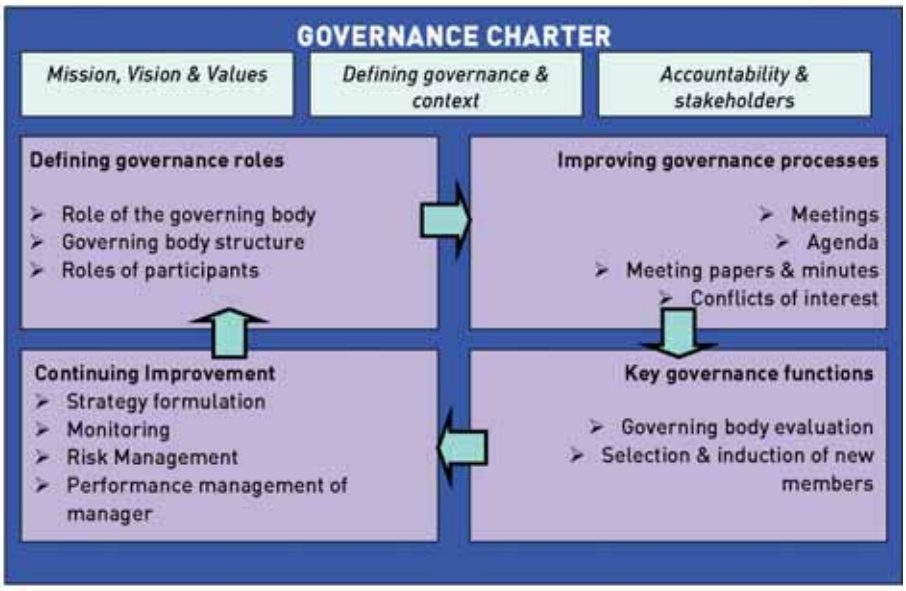
Accountability and stakeholders

It is important to understand what the accountability framework is. Is the governing body directly responsible to Synod, to church council, presbytery or some other body in the church? What form of reporting is required and how frequently?

Stakeholders should be identified. They can include internal stakeholders such as congregation members, presbyteries, other Synod boards and agencies, staff and so on.

External stakeholders can include regulators such as the Australian Securities & Investment Commission, or government bodies such as the Department of Community Services, or major creditors such as banks, or a community group such as parents for a child care operation.

FIGURE 1



Defining governance roles

This is one of the most critical components. There are a number of roles being played in each governing body.

The starting point is to define *the role of the actual governing body*. For a board this may include the following model with each element being clearly documented (see figure 2).

The *structure of the governing body* should be designed to deliver the strategic goals and mission within the context of its environment. This will include an assessment of whether the membership should be comprised of stakeholder representatives or consist of particular skills.

The two extremes are often referred to as being either a "representational model" or a "skills based model".

There is no correct model as it will depend on the

context; however it is often appropriate to have a mixture of the models in the life of the church.

An example may be graphically depicted as follows (see figure 3).

The roles for each member should be defined. Examples of this could include: The chairperson; Executive manager; 10 other independent members; Committees; Chief financial officer; and Governing body secretary.

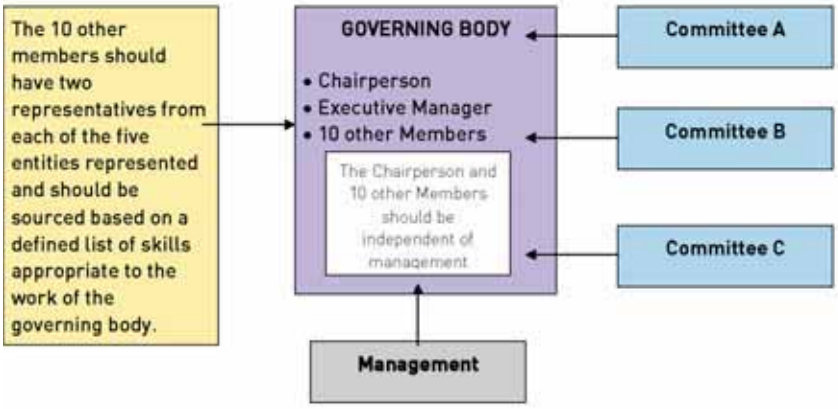
When members of a governing body get together for the first time to define the different roles, it is often surprising how different their views are. This only serves to emphasise the importance of agreeing and documenting roles to ensure consistency of understanding.

Committees should have individual mandates to define their role and their main functions and to specify what powers have been delegated to the committee.

Most governing bodies deal with finances and risk, and a common committee is the Audit and Risk Committee.

There are some important principles that should form part of an Audit and Risk Committee and these include:

FIGURE 3



the Chairperson should not be the Chair of the governing body; all members of the Committee should be independent of management; and the role of external auditors should be clearly defined and agreed to by the auditors.

Improving governance processes

This section of the charter is about documenting best practice processes of governance and the following elements are generally included.

Meetings

Frequency of meetings, what constitutes a quorum, who can call a special meeting, decision making protocols and conduct in a meeting are all matters that should be agreed upon and documented.

Agendas

A general template for an agenda should be specified and the process of setting the agenda documented.

FIGURE 2

	Compliance roles	Performance roles
External role	Provide accountability	Strategy formulation Reporting to Synod
	Approve & work with & through the Executive Director	
Internal role	Monitoring & supervising	Policy making
	Past & present oriented	Future oriented

Meeting papers and minutes

This part can include rules on how papers are to be presented. For example, it could be specified that papers should be sent out at least seven days before each meeting and should be clearly marked as to which papers require a decision, which are for noting and which papers required discussion.

Conflicts of interest

The area of "conflicts of interest" can cause major issues and often embarrassment in the absence of clearly documented protocols. A conflict of interest is simply "any interest in a matter that has the ability, or perceived ability, to not allow a member to make an independent and unfettered decision that is in the best interest of the entity".

Having a conflict of interest in a particular matter is not wrong — indeed it often occurs. It just requires that it is disclosed and appropriately dealt with. For example the Chairperson may be required to ask for any declared conflicts of interest at the beginning of the meeting. These can then be minuted and the members may then follow a process to decide whether the member with the conflict of interest should leave the meeting while the item is being discussed or whether the member should remain and contribute to the debate and either vote or not vote. It is also a good idea to keep a register of conflicts of interest.

Key governance functions

This section of the charter is about documenting key governance functions and the following elements are generally included.

Strategy formulation

Governing bodies, such as boards, are generally recognised as being ultimately responsible for adoption of strategy. Usually this is done with the assistance of management and management is then charged with implementing those strategies.

Monitoring

Monitoring involves continually assessing the implementation of strategy, monitoring financial performance and other risk management matters such as compliance and Occupational Health & Safety (OH&S) systems.

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PROPERTY SERVICES

MICHAEL BARR

Sales, fire and licences

Sales proceeds policy

Under the current sales proceeds policy there is a provision whereby church entities who have sales proceeds for more than three years without approved plans could forfeit these funds effective from October 1, 2007.

In March 2007, the Synod approved the postponement of this policy to allow further clarification of how the policy will be implemented and what uses sales proceeds can be put to.

This review will take place in the second half of 2007 before returning to the Synod for ratification.

Fire safety

Under the Environmental Planning and Assessment Act (NSW), all properties (other than individual houses or units) owned by the Uniting Church must complete an annual Fire Safety Certificate and provide a copy to the Fire Commissioner. These certificates are usually completed by the firm that manages the fire safety for your building.

In residential properties, it is a legal requirement that all buildings have smoke detectors fitted.

The Synod is working on developing a simple system for defining minimum safety standards in all buildings owned by the church to ensure the safety of staff, visitors and residents in our buildings. Further details will follow before the end of the year.

Licenses for casual use

A license is used where there is a casual and non-exclusive use of a building. Licenses can be issued by the local steward of the property without approval, however these internal policies must be observed: licenses should not be for more than 12 months; internal Uniting Church agencies always receive priority; and the Uniting Church standard license should be used at all times.

These arrangements are different to leases, which are for exclusive use of property. Approval from presbytery and/or Synod is required as these can extend beyond 12 months.

IT SERVICES

BRUCE COYTE

National IT Seminar

In late May the National IT Seminar was held in Brisbane, with IT representatives from all synods and Wesley Missions attending.

Speakers came from Citrix, CISCO, Telstra and Redman Solutions.

Topics relevant to the church and technology included business continuity management, governance, how to better support the users of technology with improved Helpdesk systems, new technology trends that will enhance the church's work, and procurement.

The next seminar will be held in Sydney in November.

Uniting Resources web pages

We have been busy updating the Uniting Resources web pages to provide a more user friendly service and improved support to the church in areas of finance, information technology, investments, property, OH&S (work place safety) and human resources.

Drop in to http://www.unitingresources.org.au/ as the web pages are updated continually.

Your IT Services

The New South Wales Synod's IT Services is continually working with church groups and committees to provide reduced technology costs, Helpdesk support and a technology infrastructure that services the administration arms of the Uniting Church.

Please do not forget our website — http://www.unitingresources.org.au/its — for cost-saving software and hardware or to make any technology inquiries.

Advice on Synod's employer status under WorkChoices

The Federal Government's new WorkChoices industrial legislation came into effect from March 27, 2006.

This legislation only applies to employers who are either constitutional corporations or are based in territories of Australia.

In order to determine whether employing entities of the New South Wales Synod, who are based in New South Wales, now fall within the Federal industrial jurisdiction, the New South Wales Synod is seeking legal opinion on "Who is the Employer" within the Synod.

Until this legal opinion has been completed and received, the Synod continues to rely on previous legal opinion provided by Roger Gyles QC in 1986.

In any case, employing entities of the New South Wales Synod who are based in the Australian Capital Territory automatically fall within the new federal industrial jurisdiction by virtue of the ACT's territorial status.

Mr Gyles, in providing his opinion, came to the conclusion that *"where an agency or institution operates under its own constitution, albeit a constitution approved by the relevant organ of the church, then, in my opinion, the relevant employer is the governing body of that agency or institution".*

Given the above, the relevant board, management committee or church council of an agency or institution is currently viewed to be the employer within the New South Wales Synod, irrespective of whether they are based in New South Wales or the ACT.

It then follows that as almost all of the entities within the New South Wales Synod are unincorporated entities, then they, as employers, are not constitutional corporations for the purposes of the WorkChoices legislation and those based in New South Wales will remain within the New South Wales industrial jurisdiction.

As the few incorporated entities that employ staff have special circumstances, they should clarify their position with Uniting Resources.

As the actions of an individual employer could adversely impact on all employers within the New South Wales Synod, especially where there are current industrial cases before the New South Wales and Australian Industrial Relations Commissions, the key message is that current arrangements must remain in place unless the legal opinion being sought suggests that we should be part of the Federal industrial relations system.

Whatever legislative regime employers fall under, be it State or Federal, employers will continue to treat employees fairly and properly and in accordance with the principles endorsed by the Uniting Church in Australia.

If circumstances change an appropriate communication will be issued to all employing entities within the New South Wales Synod.

While there are obviously a number of legal issues that need to be sorted out, employees can rest assured that the employing entities within the Synod will continue to act responsibly with regard to employment conditions.

Whatever legislative regime employers fall under, be it State or Federal, employers will continue to treat employees fairly and properly and in accordance with the principles endorsed by the Uniting Church in Australia.

If you have any employment queries please do not hesitate to contact HR Services on 8267 4365 or visit our website at www.unitingresources.org.au/hrs.

VICKI ROPER, MANAGER

FINANCIAL MANAGEMENT SERVICES

Business planning and reviews for congregations

A new service the Financial Management Services division is offering congregations is its expertise in strategic planning and reviews of congregation business activities.

Your congregation may be seeking fresh ideas about how to bring new life to its business, or may consider that greater financial returns should be earned, especially given the effort that volunteers put into it.

Perhaps your facilities are running down, and you are wondering whether to invest significant funds in renovating or restoring your premises.

Whatever issues you may be confronted with we can assist through a planning and review process.

We have recently conducted a strategic business review with the Adamstown congregation in The Hunter Presbytery. They can provide feedback on our approach and outcomes from the process.

The types of issues we consider are:

- Your congregation's key aims for its business;
- The vision your management team and volunteers have for its potential;
- "Strategic options" for your business that fulfil your congregation's overall mission plan;
- The capabilities of your current team and which skills might need to be brought in to achieve your vision;
- Alternatives for financing growth and development requirements of the business;
- Discussion of other options which may not have previously been considered;
- Successful implementation of achievable plans; and so on.

We examine the financial and non-financial benefits, risks, effort and costs for each strategic option considered, and determine which has the greatest chance of success.

Issues to consider include: existing and potential customer markets; packaging/presentation; promotion styles; pricing; orders/delivery; distribution; reliance on technology; business monitoring; and reporting to management.

We also assist with developing a staggered implementation plan for your new ideas, which dissolves overwhelming projects into digestible tasks.

KEGAN KASHIAN, CHIEF FINANCIAL OFFICER

UNITING FINANCIAL SERVICES

The benefit of giving

"How can I help?" is a question I hear a lot these days.

There are of course many ways to give that help to our church. We can offer our time, our love and our prayers. We can also share our financial blessings to help areas of need in the world.

To better answer this question, Uniting Financial Services produced a simple brochure titled *The Benefit in Giving Always Goes to the Giver*.

It offers four simple ways for Christian people to financially assist the less fortunate in our community and further God's work.

Your congregation needs you to give generously to enable local mission work to continue and grow. You may prefer to contribute through the *Sunday offertory* plate or enjoy the convenience of donating electronically through Giving Direct.

Your congregation needs you to give generously to enable local mission work to continue and grow.

Living is Giving helps your congregation demonstrate its membership of the Uniting Church and contribute to its life and mission. You can contribute to this important ministry and support a mission focus area that reflects your convictions and passion.

Generosity can last beyond a lifetime. We all should have a will to take care of our family and loved ones, but have you thought about including the church also?

Leaving a bequest to the church is really a "deferred giving" legacy to support its ongoing work.

Invest with Uniting Financial Services and enjoy the benefits of attractive rates and personalised service. Every dollar you invest directly contributes to the wonderful work of the New South Wales Synod. It is a good feeling knowing your investments are safe and also helping people hear the gospel and support those in need.

Now you know there are many ways to give, why not put these opportunities to work and help your church?

TONY DIMAURO, MANAGER

Uniting Financial Services takes on church's loans role

Uniting Financial Services has, from May 1, 2007, taken on the church loans function (inquiries and approval role) previously offered by Uniting Resources Property Services. Accordingly, all Uniting Church entities will now direct their lending applications directly to Uniting Financial Services.

This means Uniting Church congregations, agencies and organisations applying for loans relating to property or for other church purposes will gain the financial expertise of Uniting Financial Services staff who specialise in knowing the best loan options available.

For nearly three decades Uniting Financial Services has combined Christian values with sound financial management.

Its mission has always been to help assist and fund the work of the Uniting Church New South Wales Synod while offering church entities a range of investment and borrowing products and services.

With Uniting Financial Services taking on the loans function once offered by Property Services, these two arms of Uniting Resources (until recently known as the Board of Finance and Property) will offer their expertise in more focused ways - ensuring better support and a more streamlined and speedier process for property advice and approvals.

Cathy Tunbridge from Uniting Financial Services said the change will benefit the Uniting Church in terms of flexibility, accountability and assistance if people are struggling with loan repayments.

As part of the Uniting Resources team, Uniting Financial Services and Property Services will continue to work cooperatively, offering

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>>GOVERNANCE (from page 3)

Risk management

A governing body or board is ultimately responsible for risk management. Importantly risk management should be done on a systematic basis by adopting and implementing a risk management system that is effective. The process of risk management includes risk identification and assessment, risk improvement plans and monitoring. Key components of risk management include compliance, business continuity management and OH&S.

Performance management of senior manager

A governing body would generally employ a senior manager, executive director of chief executive officer. An important function of a governing body is to manage the performance of its chief manager.

Continuing improvement

This section of the charter is about performance management of the governing body and its membership and generally includes the following elements.

Governing body evaluation

It is important for a governing body to periodically step back and evaluate itself in terms of effectiveness.

This can take on many forms and is often done in two ways.

The chairperson can initiate this by getting members to complete a survey type questionnaire on an anonymous basis. The feedback is then collated and shared with follow-up interviews with each member.

Alternatively, an independent facilitator can be brought in to conduct both group and individual interviews and then report back. In both instances, the idea is to get some honest feedback in order to improve effectiveness. Member training and improvement can also be considered.

Selection and induction of new members

There will always be members leaving at some point. Indeed, it is often a requirement that members serve a term of three years with a maximum of three or four terms. This means that new members should be actively sought out and evaluated and, once selected, undergo an induction.

A charter should document clear processes for this to happen.

Common sense

In developing a governance framework and a governance charter, one of the most critical things to emphasise is that all members of the governing body should be involved. This will ensure that all members feel a sense of ownership.

Quite often a facilitator is used in a series of workshops. Equally important is that the charter is continually referred to and is regularly reviewed so that it does not risk the danger of becoming a document that gathers dust once completed.

In the end, despite all the hype, multitude of views and controversy about governance, it is simply a matter of common sense.

Arguably there is a higher duty of care for those of us in the church, because it is what God expects of us as stewards of God's resources to build God's kingdom.

WORKPLACE SAFETY SERVICES

Keeping your players on the field

What is the best way to manage someone who has had a work related injury?

At Uniting Resources we like to think of it the same way as a professional sporting team. We need our best players fit to play and we need them on the field.

In the same way, we need our employees fit to work and we need them in the workplace, helping the team "win".

What happens when Brett Kimmorley is injured when playing for the Sharks rugby league team? Does he stay quiet and hope it gets better? Does he come off the field and say, "It hurts but I will rest and see if it improves"?

No. And the reason why? He is too important to lose from the side. And we don't believe any of our employees are any less valuable than any sports star to their team.

What does he do? He sees a doctor immediately. The doctor will diagnose the injury and arrange treatment straight away.

He then gets back on the field with the team as soon as possible. He might not be at full fitness but is out training with the team, doing what he is able.

So what do we do when employees are injured? They need to see a doctor to determine their fitness and we should let the doctor know how important they are to our team.

Your Workers Compensation insurer needs to know about the injury as soon as possible so they can facilitate appropriate treatment.

It is shown that someone who returns to work sooner has a quicker recovery. At the end of the day, we need a team that is at "full fitness". We need them "playing the game" or getting the right treatment to get them back on the "field" as soon as possible.

If you would like to discuss any Workers Compensation matter, please contact Rachel Watson on 8267 4267.

>>Uniting Financial Services takes on church's loans role (from page 7)

professionally rigorous service to the Uniting Church.

Property Services remains best placed to work on the delivery of property projects and to assess their feasibility. It has the skills and resources to respond to property requests and to focus on property safety and compliance issues.

Uniting Financial Services, meanwhile, is best placed to provide structured financial management for church lending, to discuss the structure of loans, to make them more affordable, and to make sure people get the right product for the right purpose.

"We will take into account specific application needs and tailor the loans accordingly," Ms Tunbridge said.

Uniting Church organisations seeking to apply for loans to help meet their needs and goals should call Uniting Financial Services on 1300 133 673 and ask to speak to a Customer Service officer.

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