

Lutheran Aged Care and Community Services Gathering

Saturday, 17 March 2018

Session Title: Owners Resource Kit

Issue: To review a draft Owners Resource Kit

Time: 15 minutes

Description:

There was agreement in October that a concise Owners Resource Kit be developed consistent with statements in Report 2 of the Dialogue that can be used by owners/stakeholders of services to enhance their knowledge and skills in 'ownership governance'.

Process to date:

Wendy Rocks, Lutheran Aged Care Albury, offered to assist in the development of a Kit. An initial draft has been prepared, using the outline proposed at Appendix 10 of the Final Report. There will be an opportunity for feedback from participants to what has been developed and the input received will assist in the preparation of a second draft.

Outcomes sought from session:

1. Establish whether there is support for what has been drafted and/or recommend areas for improvement/amendment.
2. Agree a process to finalise the document and make them available as a resource to the sector.



Responsibilities Of 'The Owners'



**LUTHERAN AGED CARE AND
COMMUNITY SERVICES
GOVERNANCE**



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Introduction

Purpose

This resource has been produced for the owners (see definition below) of Lutheran Aged Care and Community Services organisations. It is designed to assist owners carry out their duties and enhance their competency to fulfil their role as an owner.

Rationale

An effective and diligent owner increases the likelihood of a well governed organisation. The combination of engaged owners and good governance provides a high level of assurance to the wider church, other Lutheran organisations, government regulators, funders and the wider community that the organisation is offering a high level of service.

Framework for the Kit

Rationale: An organisation is more likely to have effective managers and supervisors if the governors of a service are competent. The likelihood of a competent board of governors is enhanced if the owners carry out their role well, particularly in the selection and oversight of the governors.

Competent and appropriately skilled governors are more likely to recruit and retain competent management, who are more likely to ensure the recruitment and retention of competent staff and volunteers to work in the service, to the better benefit of the users of the service. It must be said that 'good organisations' in all senses of the word, have all three layers of structure which are interdependent and essential to 'good' outcomes and enhancement of the Lutheran brand.



Who are the owners?

For the purposes of this kit, the 'owners' of Lutheran Aged Care and Community Services organisations services include:

Those who hold, in trust, the various properties used for the delivery of aged care and community services.

The members of the organisation who are entitled to vote at its Annual General Meeting.

The LCA District who may be the corporate 'member' under the aged care or community services company's constitution, or who may be directly involved in the governance role of the aged or community services.

The General Church Council (GCC) who grants the right to use the LCA name and logo

In Terms of the above definition what do they own?

All facilities, organisation's, services that bear the name **LUTHERAN** (See next page for a list of these)



Organisations

Killarney Vale Retirement Village, Gunnedah, NSW
Lutheran Aged Care Albury, Albury, NSW

Lutheran Services, Qld
Peace Haven, Gatton, Qld
St Mark's Court Retirement Units, Dalby, Qld

Fullarton Lutheran Homes, Fullarton, SA
Lutheran Homes Inc (LHI), Glynde, SA
Murray Bridge Lutheran Homes, Murray Bridge, SA
Riverview Lutheran Rest Home, Loxton, SA
St Paul's Lutheran Homes, Hahndorf, SA
Tanunda Lutheran Home, Tanunda, SA
Trinity Place, Pasadena, SA
Valley of Praise Retirement Village, Lobethal, SA
Victor Harbor Lutheran Homes, Victor Harbor, SA
Lutheran Community Care SA/NT, Adelaide, SA
Lutheran Disability Services, Adelaide, SA

Calvary Retirement Village, Greensborough, Vic
Eventide Lutheran Homes, Hamilton, Vic
Good Shepherd Retirement Village, Ringwood, Vic
Martin Luther Homes Boronia, Melbourne, Vic
Sunnyside Lutheran Retirement Village, Horsham, Vic



Understanding aged and community services

It is important that owners understand key aspects of operating in the Aged Care and Community Services sector.

This kit outlines seven key features, but it is not an exhaustive list.

1. Government policy changes and reforms are ongoing. Owners should be satisfied that the governors are across a constantly changing environment and are effective in being proactive and responsive.
2. Owners need to be aware of the increasing costs regarding management and compliance, with growing government regulation imposed, often without increased resources. The cost to an organisation of non-compliance should be understood as a major risk. This is not just fiscal, it can be serious brand impairment.
3. Consumer trends are evolving and, coupled with an increasingly competitive environment, organisations must be agile enough to adapt and respond in offering services that meet the felt needs, and consumer choices.
4. In an environment of funding, policy and compliance pressures, faith-based organisations are challenged to maintain a holistic and multi-dimensional approach to the services they provide, including a ministry focus; whilst not losing sight that this is also a business and the ability to earn surpluses or profits is essential for sustainability over the long term.

5. The recruitment, training and retention of competent, qualified staff, volunteers and management, commensurate to the nature and purpose of the organisation is a critical issue in the aged and community services sector.
6. The tighter legal requirements and higher community expectations mean organisations must exercise high governance standards and manage potential reputational and financial risks.
7. The capacity to influence policy is as important, and closely linked to, the delivery of services in addressing the needs of the poor and vulnerable. Overarching board or governing body policies in the following areas will ensure the direction of organisational or operational policy development: Work Health and Safety, Prudential Arrangements, Ethics, Succession Planning, Delegations Authority, Models of Care, Inclusivity and Diversity, Pastoral Care and The National Spiritual Guidelines, Risk Assessment and Management. This is not an exhaustive list but demonstrates that an overarching governance policy framework is an essential risk management tool for governors and/or owners.



Understanding Governance

Governance encompasses the system by which an organisation is controlled and operates, and the mechanisms by which it, and its people, are held to account. Ethics, risk management, compliance and administration are all elements of governance (Gov Institute of Australia)

This kit offers seven key aspects of good governance.

1. Effective governance means making decisions that advance a shared purpose consistent with the mission and purpose of the organisation.
2. Effective governance means being transparent and relational, which includes being clear and open about all aspects of the organisation, and engaging meaningfully with all legitimate stakeholders, including the owners.
3. Effective governance means accountability, including clarity of decision-making, effective processes for the right people to make the right decisions, and appropriate consequences for failure to follow the right processes.
4. Effective governance means being good stewards, ensuring the organisation is run and using resources wisely for the benefit of its primary stakeholders (including owners), with due regard to other legitimate parties.
5. Effective governance means demonstrating and fostering a consistent application of the organisation's values and ethics, including respect for compliance with the law.

6. Effective governance means taking appropriate risks that will enhance the business and avoiding unnecessary risks where the benefit is marginal.
7. Effective governance means a group of decision-makers with an appropriate mix of competencies, working collegially and respectfully together in the best interests of the organisation and those it serves, and continually seeking to improve its collective competence and of that the individual members.
8. Effective governance is remaining at arm's length from the operations and minutiae so associated and ensuring that there are clear and transparent communication channels to and through the executive officer or equivalent regarding the operations. Thus, retaining an objective and strategic role.



Understanding Management

Management is the process whereby the strategic objectives, set by the governor's, Mission, Vision and Values are achieved through the day to day operations of the organization. The Collins Dictionary provides this simple definition:

“the skillful or resourceful use of materials, time, etc.”

1. The board of directors defines the policy which is then carried out by the chief executive officer, or CEO.
2. Management consists of the interlocking functions of creating corporate policy and organising, planning, controlling, and directing an organisation's resources in order to achieve the objectives of that policy.
3. Management has a significant role also in providing the governor's the information required in the format required that will inform their strategic role, and ensuring that the relationship between governor's and management, usually through one channel, serves the forward movement of the organisation, and is in line with its Mission and Values.
4. Management and Governors cannot be expected to function effectively if appropriate delegations of authority are not in place and well understood between governors and management.



Understanding Service Delivery

Service Delivery is the desired output of the organisation, and increasingly, consumer expectation is that it will be of a high quality. It is also prudent and essential that the various parts of this output be able to be measured, evaluated and constantly improved. This is the environment in which the aged and community services sector currently operates, and regulatory requirements around quality outcomes are a minimum set of standards

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Understanding Roles and Duties as Owners

Purpose of having owners

The roles and duties of an owner is distinct from the responsibilities of a manager or governor (director). An owner will take an active interest in the affairs of the organisation. The purpose in doing so is to support the effective governance of the organisation by holding the governors accountable, asking the right questions and, where it has the formal responsibility, appoint a Board that will be competent to carry out its duties.

Moral responsibilities

Owners have the following Moral responsibilities:

1. To ensure that their dealings with the organisation and where applicable the governor's, is informed, respectful and collegial and exhibit the values espoused by the Lutheran Church
2. To ensure that their communications with the organisation regarding any concerns they may have, are timely in terms of the degree of concern, and are transparent, honest and confidential to the organisation in the first instance
3. To support the organisation and its governors in their endeavors to carry out the mission of the Lutheran Church



Legal responsibilities

The first and foremost legal responsibility of the owners is to fully understand through appropriate education and research, what their responsibilities are under the law, and ensure that they are informed as to the systems that are in place to guarantee compliance. Failure to be in possession of this knowledge is not an option and is not a defence under the law if one is an owner. Depending on the size and structure of the organisation and its governance, there will be different legal requirements. To understand these, the ASIC and ACNC websites have numerous resources which maybe set as mandatory education for owners and governors. A mandatory education program is well advised for owners and governors to ensure currency in legal responsibilities.



Key things to take an active interest in

The Lutheran ethos

Lutheran Aged Care and Community Services organisations are committed to providing a ministry to human need in the name of Jesus Christ. The owners will support and ensure the governing body stays true to this purpose, and utilises Church-endorsed theological resources for guidance.

A competent board

A good organisation is led by governors who collectively communicate the culture and character of the organisation and together have the requisite skills and competencies so that the board has the capacity to discharge its functions. An effective board is more than the sum of its individual members. An effective board is a body of work in itself as a result of leadership, regular education, changing skills mix to reflect the current issues, access to appropriate reporting, and regular independent evaluation of its performance.

When appointing members to a governing board

Achieving a competent board requires owners to carefully select and appoint suitably qualified people, based on a skills matrix, which reflects the industry or business of the organisation. Owners also need to consider whether the nominee has a strong commitment to the purpose and vision of the organisation; governing within the stated Lutheran values; brings skills and experience in governance that will add value to the existing skills



sets of the other Board members. A transparent process for identifying interviewing and selecting board members should be employed.

When considering a Constitution

A constitution is the governing document for an incorporated entity, whether that be an association or company structure. Owners and governors should employ all diligence in adopting or constructing a constitution.

Ideally this resource would be available through the parent organisation (owners) and should be finalised or fully constructed, with the advice of a constitutional law specialist, to ensure the proper legality and currency on such matters is assured.

There are far too many items which may present difficulty and/or challenge to such bodies as the ASIC and the ACNC to address other than high level advice in this resource booklet.

What You Should Request Regularly



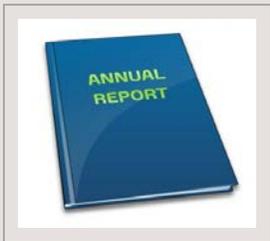
Board Minutes



Initially and thereafter for any property purchases



What You Need and Should Request Annually



Annual Report

Audited Annual Financial Report

Representation at the Annual General Meeting



Mission Statement



Strategic Plan



Board Risk Matrix AND an Alert for any imminent reputational risks



USEFUL LINKS

www.governanceinstitute.com.au (Aus. Governance Institute)
www.asic.gov.au (Aus. Securities and Investment Commission)
www.acnc.gov.au (Charities and Not for Profit Commission)

References

ACNC 'Governance for Good' – for Charities Boards

Lutheran Aged Care Albury, Constitution Document

Australian Institute of Governance website

ASIC website.

LCA Strategic Direction 2013 - 2018 (for aligning the facility to strategic guidance).

LCA Governance Handbook.

LCA Governance Handbook Parishes and Congregations



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