

The Way Forward

(Final Report - Report 3)

LCA Aged Care and Community Services

Governance Dialogue

31 January 2018

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Acknowledgements

Like the two earlier Reports for this Dialogue, the author acknowledges that this final report would not have been possible without the commitment and good natured involvement of representatives from the governing bodies of twenty one Lutheran aged care and community services. To those dedicated volunteers and managers who participated in this dialogue I express a heartfelt thank you. Thank you for your wisdom and thank you for the many years of faithful service you have given to this important area of ministry.

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Kind regards,
Les Stahl.

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Executive Summary

This is the final of three reports in the Lutheran Church of Australia's (LCA) 2017-18 Aged Care and Community Services Governance Dialogue project. The purpose of this report is to summarise consultations undertaken, outline the agreed Action Implementation Plan being undertaken jointly by LCA and the sector and present the Reviewer's considered recommendations for reform following twelve months of listening and dialogue with the church and its aged and community services ministries. This report was commissioned by, and will be presented to, General Church Council.

The intent of this dialogue-based project is to strengthen and build on the rich history of service provided to the community by Lutheran aged and community services. The purpose of the project is to recommend the best future arrangements for governance of the aged and community service ministries within the Lutheran Church of Australia at national, District and agency levels – including the most appropriate governance and leadership standards and capabilities, legal structures and processes – commensurate with the stakeholders' ability to embrace change.

Part A of this report summarises the background to this Dialogue. It reminds us of the Lutheran Church of Australia's modern day commitment to good governance and to ministry in both the aged and community services sectors; it refreshes our memories about why this review was commissioned and its purpose; and it provides a brief history of Lutheran aged and community services. Part A concludes noting it is time for change.

Part B summarises the methodology used for this project. The project was dialogue based; multiple consultations and visits were undertaken; free comprehensive governance assessments were provided; information about the status of these types of services in six other national churches was outlined; two progress reports were provided and two national gatherings were conducted – one in Brisbane, the other in Adelaide.

Part C of this report attempts to describe the current 'state of play'. Lutheran aged and community services are a diverse and mostly un-coordinated group of services that do however see themselves as being a key mission and ministry of the Lutheran Church. All of these services are subject to ongoing government policy and funding reforms and change. Not surprisingly there appears to be a diverse range of governance quality within the group. The good news is that both the sector and the Lutheran Church is committed to working to achieve good governance throughout.

Part D affirms that all key stakeholders engaged with this review consider the Church should continue to see aged and community services as a key mission and ministry area of the Lutheran Church of Australia. The dialogue also found consensus that significant change has to occur if all current Lutheran aged and community services are to survive and thrive with excellent governance and operational systems. Change at this time however is not necessarily required in many legal structures but rather in how the church and each service can better support each other as well as how each service can better assure each other and the church that they are sustainable and operating with good governance and management systems in place. (This sentiment is later captured in Recommendation 2 in Part F).

Part E lists the historic agreements and action implementation plans made by key stakeholders at the second national 'Discerning Our Future' Conference held as part of this Review in October 2017. As requested by participants at that conference all of the agreements reached are included in this report.

Part F lists the reviewer's 33 recommendations to GCC. In summary they are:

- a. GCC should continue the good work of consensus based decision making to implement, in partnership with Districts and the Lutheran aged and community care sector, the recommendations in this report (Rec 1)
- b. Certain Lutheran aged and community services core governance documents should be developed and adopted including:
 - i. Joint Vision and key governance principles (Rec 4)
 - ii. A Lutheran Ethos suite of docs for this sector (Rec 5)
 - iii. Enhanced formal Standards of expected Governance (Rec 6)
 - iv. A Quality Services Agreement between LCA and each Lutheran aged and community care service (Rec 7)
- c. All services need to research now the strategic opportunities of merging/partnering with another Lutheran aged and community service. (Rec 3)
- d. All services to have as a priority 'governance self assessment' and the implementation of in-house improvements to governance (Recs 8 & 9)
- e. Better support and supervision by Districts (Recs 10 to 15)
- f. Better support and supervision by LCA at the national level (Recs 16 to 22 & 24)
- g. Introduction of a Lutheran aged and community services governance QA system involving an annual peer-based quality assurance process and the introduction of an emergency powers protocol (Recs 25 & 26)
- h. All stakeholders and beneficiaries involved in the mission and ministry of Lutheran aged and community services (including LCA, providers, LLL etc)

contribute to the increased costs that will be required to enhance the operational and governance capabilities of this Lutheran ministry as per these recommendations. A governance enhancement fund is proposed. (Rec 27)

- i. GCC set up a Lutheran aged and community services governance enhancement task force that is suitably structured and funded to steer this important change management process (Rec 28). GCC should also consider some changes to its loan policies as well as develop a strategy for following up any Lutheran aged and community service that doesn't wish to participate in this LCA program of governance enhancement (Recs 32 & 33).
- j. Any Lutheran aged and community services governing body that does undertake mergers does so in a measured and professional way including the establishment of properly constituted time limited merger oversight committees as well as assessing the usefulness of creating local, non governing, 'committees of service' to assist local management with fund raising and other local resource issues (Recs 30 & 31)
- k. LCA work with the Lutheran aged and community services sector to establish appropriate nationwide branding protocols (Rec 23).

This report (Report 3) should be read in tandem with the earlier reports 1 and 2. This report mostly does not detail matters already provided for in the earlier reports.

This report is written primarily for General Church Council to act upon. However it is also a key resource both for all other leaders in the Lutheran Church of Australia and those services that see themselves as providing a vital ministry on behalf of the Lutheran Church of Australia to address and meet human need in the areas of aged and community services.

Your prayerful consideration of this report is invited.

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"I appeal to you, brothers and sisters, in the name of our Lord Jesus Christ, that all of you agree with one another in what you say and that there be no divisions among you, but that you be perfectly united in mind and thought." 1 Corinthians 1: 10
New International Version (NIV)

PART A: Background to this Dialogue

This is the third of three reports for this Review. This report needs to be read in conjunction with the first two reports.

Report 1 was titled the Stocktake, Future Options and Recommendations Report and was released on 15 May 2017.

Report 2 was titled 'Discerning Our Future' and released on 8 September 2017.

Both reports can still be accessed at www.lca.org.au/laccs-gov-dialogue

The Church's Commitment to Quality Governance

The Lutheran Church in Australia is continuing to work on improving governance throughout the church – at local, District and national levels.

At local and District levels a number of actions have occurred to enhance governance over the last decade. This includes restructuring in congregations and enhancements to governance by District Church Councils.

In recent years the national church has funded three reviews – a general church governance review (refer Appendix 1 for outcomes from that review relevant to this Dialogue), an ongoing education review and this Lutheran aged and community services review.

The Lutheran Church of Australia has a minimum set of governance standards and has also made good governance a strategic priority for the church. Strategic Priority 3 of the church states "We are at all levels well governed, run with effective structures and processes, financially sustainable, professional and accountable" (p16 Strategic Directions).

Governance Review of Lutheran aged and community services (this review)

In November 2015 General Church Council resolved "that consideration be given by GCC to a national 'system' model for the governance oversight of aged care facilities within the LCA." Accordingly this review was commissioned in December 2016 with its scope expanded to include community services.

This Dialogue-based Review was funded to look at ways the Lutheran church and its aged and community care sectors should enhance governance. The Terms of Reference for this Review were widely publicised, they were detailed in Report 1 of this Review and they remain available on the church's website (www.lca.org.au/laccs-gov-dialogue).

The intent of this dialogue-based project is to strengthen and build on the rich history of service provided to the community by Lutheran aged care and community services organisations.

Important to the Lutheran Church is an effective and efficient governance system for Lutheran aged care and community services that enables services to:

- be mission focused, aligned to the strategic direction of the church and interacting with congregations where possible;
- have consistent and quality governance standards and policies (including service philosophy, theological identity, staff formation, and employment-related policies);
- have skilled 'governors' and managers with reputable appointment processes and processes to ensure the maintenance of ongoing competency in governance;
- be able to competently manage finances, risk, compliance, accountability and reporting; and
- have opportunities for ongoing learning, sharing and growing.

This Review has achieved consensus agreements and made recommendations that will strengthen arrangements for governance of the aged and community service ministries within the Lutheran Church of Australia at national, District and agency levels – including the most appropriate governance and leadership standards and capabilities, legal structures and processes. These agreements and recommendations are outlined in Parts E and F of this report.

Why this Review?

Primarily this Review is an extension of the two recent LCA funded governance reviews mentioned above.

Other than the clear desire of the Lutheran Church to excel in all its governance areas, the church also finds itself somewhat as the 'meat in the sandwich' between modern day Australian community expectations and government regulators on the one hand, and the Lutheran aged and community services who see themselves as a ministry of the church, on the other. In short, the church is expected by Regulators and the community to be exercising very good governance in regard to any activity operating in its name.

Given governance is a strategic priority, it is not surprising then that the Lutheran Church sets the bar high in regard to the operations and governance of aged and community services ministering in its name – services need to do more than just meet minimum secular legal and regulatory requirements, they need to be quality services as they are ministering in the name of Jesus and are an expression of the witness of the Lutheran Church.

For the future, to meet good governance standards, church and community expectations, the Lutheran Church and Lutheran aged and community services need to have both quality governance standards as well as robust governance 'quality assurance' oversight processes and business systems in place in each jurisdiction of the church that is involved one way or another in this ministry to human need.

A Brief History of Lutheran Aged and Community Services

Historically the mission and ministry of a number of Lutheran aged and community care services were pioneered by local congregations. Other Lutheran aged and community services developed due to the independent efforts of determined Lutheran lay people following lack of support by the wider church at the time.

Some of these Lutheran services have been operating for many years, others are relatively young services.

Today there are 25 aged and/or community services in Australia ministering to human need in the name of, or in furtherance of the traditions of, the Lutheran faith. Services ministering to human need associated with the LCA include accommodation services, retirement units and villages, home care services, aged care services, children's services, family services, disability services, counselling services, crisis intervention services, services for the homeless, services for refugees, community development services etc. (Refer Appendix 2 for list of Services).

In summary, in Queensland the Lutheran aged and community services sector consists of a large amalgamated organisation that provides both aged care and community services and some separate stand alone small services; in the Districts of New South Wales, South Australia and Victoria there are a range of small, medium and medium/large aged care services; and there are two significant community services only organisations operating out of Adelaide – Lutheran Disability Services and Lutheran Community Care South Australia and Northern Territory.

Some of these organisations remain legally under the control of the four Lutheran Districts mentioned above while some of the organisations are legally independent of the church. A few of the small services chose not to engage with this review despite repeated invitation.

The Lutheran Church's Commitment to Aged and Community Services

Although not all parts of the Lutheran Church in the past were committed to such social services, today the Lutheran Church of Australia sees ministering to human need a key ministry of the Church. Article 3 in the Objects of the church states “3.1.13: Minister to human need in the name of Jesus Christ our Lord in the spirit of Christian love and service, and to provide institutions and agencies for this purpose”.

Indeed, ministering to human need is a strategic priority of the LCA as detailed in the LCA Strategic Directions document.

A time for Change

For all the above reasons it is a good time now to make enhancements to the governance of Lutheran aged and community services.

As outlined in some detail in Report 1 of this Dialogue the secular requirements for governance in Australia continue to evolve with increasing regulatory requirements forecast to continue. The rise of the Australian Charities and Not-for-profit Commission is evidence of this trend along with increasing compliance requirements whether from a company, taxation, accounting, working with children, working with people with disabilities, working with the elderly or an accreditation point of view – just to name a few of the increasing compliance trends.

The governance of organisations and services is also being ‘professionalised’ with ‘governors’ not only expected to have demonstrable competencies in governance but preferably to have governance qualifications and to have in place an ongoing program of professional development. The rise of the influence of the Australian Institute of Company Directors (AICD) and the Governance Institute of Australia (GIA) are but two examples for this trend.

Community services and aged care services have also changed significantly over the last fifty years. Today the community and its various levels of government place high expectations (and requirements) on the operation of these services. Change is not over with either. Significant reforms continue in the vast majority of service areas addressed by these ministries of the

Lutheran Church. The changing context of the following service areas were outlined in detail in Appendices 1 to 8 in Report 2 of this Dialogue:

- Retirement Living Services
- Aged Care Services
- Disability Services
- Homelessness Services
- Children and Family Services
- Addressing Poverty and Injustice Services
- Community Development and Working with Diverse Cultures Services.

From a historical perspective this is also a good time for the Church to be looking at better ways of organising its ministry to human need as now is the beginning of a new half century since two churches came together in union in 1966 to form the Lutheran Church of Australia. In anniversary, it is a time of reflection, celebration and change.

PART B: SUMMARY OF REVIEW METHODOLOGY:

The methodology for this Review was outlined in detail in Part A of Report 1.

In summary this project progressed as follows:

Dialogue based

This Review was both evidence and conversational based. Various facts, figures and assessments were collected but most importantly the views and wisdom of all involved stakeholders were sought in relation to all aspects of this Review through a number of consultative mechanisms.

The Review utilised the five principles of dialogue used in the Lutheran Church of Australia.

The Review actively sought consensus whenever possible.

Service visits, Consultations and free Governance Assessments

Significant dialogue and consultation occurred between December 2016 to November 2017. All twenty six identified aged and community services organisations were contacted, twenty one accepted an invitation to visit with them. Discussions were conducted with members of governing bodies and managers as well as with some Pastors and Chaplains involved in these ministries.

Discussions were also held with representatives of the four Lutheran Districts associated with these agencies including dialogue with Bishops, Assistant Bishops and District Administrators/Executive Officers. Discussions were held with District level gatherings (e.g. South Australian/Northern Territory Lutheran Aged Care Council and the South Australian Lutheran Aged Care Chaplains network).

At the national level discussions were held with the National Bishop, the LCA Committee for Ministry with the Ageing and the LCA Dialogue Advisory Group.

Submissions and documents received were actively taken into account.

Further consultations with the aged care Chaplains network of South Australia resulted in the group submitting three new draft potential resources:

- Lutherans in Aged Care – Implications for Practice
- Christian/Lutheran Ethos – Induction Presentation Template
- Aged Care Chaplaincy – Roles and Responsibilities.

These documents were uploaded to the project website that can be accessed at <http://www.lca.org.au/laccs-gov-dialogue>

Free comprehensive Governance Health Checks were offered to 21 participating organisations. Eighteen of the organisations visited took up the offer.

Discussions about understanding governance, in the political, legal and Christian sense of good stewardship

Lengthy discussions occurred about:

- Understanding governance in the Christian Context
- The legal context for mission and ministry, and
- Understanding governance through the 'legal lens'.

A summary of these three important areas was provided in Report 1.

Although many ideas for improving governance in Lutheran aged and community services were suggested, twenty nine key themes emerged from these discussions and these were outlined in Part C of Report 1.

Report 1 and '*Options For Our Future*' Workshop in Nundah

Report 1 was circulated on 15 May 2017 and titled the "*Stocktake, Future Options and Recommendations*" Report. The report outlined the background, rationale and Terms of Reference for this review. It discussed governance at some length including looking at governance through the 'legal lens', clarifying the legal context for mission and ministry, as well as understanding governance in the Christian context. Report 1 also listed information about 25 Lutheran aged and community services organisations and presented the results of governance discussions at twenty one of those services. It reported on four options for the future structuring of the Lutheran aged and community services sector as well as 40 potential recommendations for improving governance within this sector.

Two months later on 15 July key stakeholders gathered together in the church hall at Nundah Brisbane to review the recommendations made in Report 1.

Over 45 people from Lutheran aged care, retirement living, disabilities and community care organisations attended along with District and General Church Council representatives. The gathering was blessed with the attendance of the host LCA Bishop, John Henderson; the local Queensland Bishop Paul Smith and 2nd Assistant Bishop Andrew Ruddell from South Australia.

The key challenges facing Lutheran aged and community services were discussed following several presentations. Multiple discussion groups then covered almost all of the 40 draft recommendations contained in the “Stocktake, Future Options and Recommendations Report”, along with a number of possible future governance structural options. In summary the vast majority of the draft recommendations were supported by the groups who discussed them. In relation to a few of the recommendations it was agreed that the ‘devil was in the detail’. Details of the Nundah discussions can be found in Appendices 15 to 23 in Report 2.

Assessment of what other Churches are doing in these ministry areas

The Reviewers contacted people involved in the governance arrangements of either aged or community services of six other churches to ascertain their informal wisdom about the state of governance arrangements in those aged and community services operating in the name of their church.

Refer Appendices 9 to 14 in Report 2 for a brief overview of the current activity in aged and community services– at least as reported to the Authors - in the following churches:

- Catholic Church
- Uniting Church
- Anglican Church
- Baptist Church
- Presbyterian Church
- Churches of Christ.

Most of these churches are involved in ministering to human need in one form or another. Many of these churches oversee or are associated with similar services to those provided by Lutheran agencies that are the subject of this review.

In summary these other churches are:

1. Recognising that effective governance of aged and community service ministries is important (some having recognised this for many years) although the churches are employing different strategies to be assured that robust governance arrangements are in place – and some more so than others
2. Recognising that reform is ongoing in these sectors and that services are becoming more complex and professional, with greater competition for the funding dollar
3. Mostly organised at state and/or national levels to ensure they can speak out and advocate their cause
4. Discussions occurring in some of these churches see the possible future of these services as large state or national based services to either ensure future survival or achieve better economies of scale
5. Some of the churches either have or are in the process of sharing 'back-of-house' services and/or group purchasing arrangements
6. Some of the churches have formal quality assurance mechanisms in place in regard to these services even if the service is small and congregationally managed (e.g. the QA system managed by Presbyterian Aged Care NSW on behalf of their church)
7. In at least two of the churches a region has divested itself of aged care services.

Report 2 and '*Discerning Our Future*' National Conference

Report 2, '*Discerning Our Future*', was circulated on 8 September 2017. The report outlined how things have changed in aged and community services as well as in 'governance' and summarised the trends in eight key ministry areas and in service delivery in six other national churches.

The implications of the recent church-wide 'Cleary' governance review were summarised and some 'elephant in the room' cultural dynamics observed by the Reviewers as part of this project were surfaced. The report also outlined the results to date of this Dialogue including the discussions at the '*Options For Our Future*' Workshop held at Nundah, Brisbane on 15 July 2017.

Report 2 also contained the Reviewers assessment of recommendations where there appears to be significant agreement about future governance arrangements following earlier consultations and subsequent discussions at

the “*Options For Our Future*” Workshop. Fifteen recommendations were presented for endorsement in Adelaide in October 2017.

The report also outlined five important governance issues where consensus had yet to be fully achieved – structural arrangements, emergency protocols, selection of and ‘length of service’ for governing body members and branding policy.

The national ‘*Discerning Our Future*’ conference for Lutheran Aged and Community Services was held in Adelaide on the 13th and 14th October 2017.

The conference was attended by many leaders from the Lutheran Church of Australia including Bishops, Assistant Bishops, General Church Council representatives, District Church Council representatives, District Administrators, Chairs, Managing Directors and CEOs of Lutheran aged and community services throughout Australia.

The conference discussed the recommendations and issues contained in Report 2. The conference continued a collegiate approach to planning the strategic future of Lutheran aged and community services as had been evident in the earlier national workshop held at Nundah, Brisbane on 15 July 2017.

The historic agreements of the October 2017 conference are presented in Part E of this Report for the information of General Church Council.

Final Report to GCC

The last phase of this project is to present a short final report to General Church Council that includes both the agreements and action implementation plans reached at the October 2017 conference as well as any other recommendations from the reviewer. This is that final report.

PART C: WHERE ARE WE NOW?

In Summary:

1. **We are all about mission and ministry.** Lutheran aged and community services within Australia are providing a vital ministry to human need. The overwhelming majority of governors and managers spoken with during this review are committed to this purpose.
2. **However we are a diverse group.** Lutheran aged and community services within Australia are a group of diverse and operationally mostly independent services. Whilst some services work together (as a single organisation in Queensland and as a volunteer 'network' in South Australia), there is no sound co-ordination of these services at the national level – despite both government policy and government funding for these services being increasingly centralised at the national level.
3. **We operate at different levels of quality.** Some Lutheran aged and community services are governing at a level of excellence – others are not (refer Appendix 3 for results of the free Governance Health checks).

The results of the consultations and assessments indicate that, in terms of governance and leadership capability, there is wide variance in the competency levels among the twenty one governing bodies visited and also the four Districts. Some organisations are well governed while a few appear to struggle to maintain legal and governance standards.

4. **Operating requirements continue to increase.** Ongoing change and reform is the norm in Australia for aged and community services (refer information presented in Report 2). As time progresses there are likely to be increasing governance and reporting requirements placed on these services (and possibly also the church), adequate funding will become harder to access, clients of the future will be more demanding and costs of service provision will continue to rise. In summary, in the future, Lutheran aged and community services will have to do 'more for less'. At the same time membership of the Church is declining making it more difficult over time for services to secure Lutherans skilled in governance for their governing bodies.
5. **The Lutheran Church of Australia is committed to ensuring good governance.** One of the three LCA strategic priorities is about achieving good governance and the LCA also has a set of minimum governance standards for all bodies associated with the LCA.
6. **Lutheran aged and community services seek good governance too.** The good news is that the Lutheran Church and the Lutheran aged and community care sector have similar visions for these services and share the same values of wanting everyday excellence in both governance and service delivery. As a group, the sector supports the LCA's vision

(outlined in its Strategic Directions) that these services “are at all levels well governed, run with effective structures and processes, financially sustainable, professional and accountable”.

7. **We are poorly organised at the national level.** Unlike many other affiliated organisations throughout Australia, including aged and community services of some other churches, the Lutheran view of current and future policy development and resourcing of aged and community services is not often heard by national policy makers because we are not organised enough at the national level to ‘speak with one voice’.
8. **Needs have been expressed.** During this review the needs of both the Lutheran aged and community services sector and the church have been clearly expressed. Two key governance ‘needs’ surfaced during these consultations – the need for governance ‘support’ to Lutheran aged care and community services agencies and the need for greater governance quality assurance ‘oversight’ of these services.

A number of the (mostly smaller) agencies indicated they would like more useful and practical governance ‘support’ from either the larger services or the church (at District or national level). Support sought after included the provision of:

- model governance policies (including better communication of existing LCA policies such as financial management, risk management etc)
- model constitutions
- co-ordination, provision and/or sponsorship of governance training
- management support and advice to managers of small services
- communication updates about sector developments, requirements and opportunities
- sharing of more efficient and effective ways of doing things
- co-ordinated advocacy and lobbying at state and national levels.

The need for greater governance quality assurance oversight was primarily expressed by church representatives and by the better organised services. This ‘need’ is for greater clarity, transparency and assurance that all Lutheran aged and community services are actually meeting the LCA vision for these services – viz “well governed, run with effective structures and processes, financially sustainable, professional and accountable”.

During this Review there was a coalescence of views that governing boards should be skills based and a better system of governance ‘supervisory oversight’ be put in place so that all service providers and the church can be assured that the above vision is indeed occurring within all Lutheran aged and community services.

The suggestion that the LCA set of minimum governance standards be upgraded for Lutheran aged and community services to be similar to the standards applied in the governance health check assessments conducted as part of this review achieved widespread support.

PART D: CONSIDERATIONS and OPTIONS FOR IMPROVING GOVERNANCE:

Many ideas and options for going forward to improve governance were received from participants in this review. Refer Parts C and D of Report 1 for the lists of ideas and options suggested by participants. These ideas and options were further discussed and refined in the two national forums conducted as part of this Review as well as being fine-tuned in Report 2.

Specific considerations requested by the terms of reference for this review were outlined in Part E of Report 1.

Over the course of this review key ‘decision point’ options were distilled to:

Do we get out of aged and community services?

The fundamental issue debated during this review was, given future church circumstances and priorities and likely future aged and community services requirements, whether to continue in these mission and ministry areas or whether to sell or give away these services – or at least to distance the church from the independent Lutheran services.

Following discussions all parties considered these services as important mission and ministry areas for the Lutheran Church of Australia into the foreseeable future. However all parties also agreed everyone had to improve the way they operated and how they support each other in order to achieve excellence in governance.

Are there better structural arrangements for us at this time?

Discussions distilled the suite of possible structural options to:

- (a) The ‘No change’ option,
- (b) The ‘Regionalise all services at District Level’ option,
- (c) The ‘Nationalise services’ option, or
- (d) Agree on a ‘Matrix of mutual support and interdependence relationships (including voluntary mergers)’ option.

At the October 2017 National Conference gathering it was again confirmed that Option D was the best way forward for the church and these service providers at this time.

A summary of the views about these options are:

Option A (the 'no change' option) was universally considered not possible because, as an aged and community services sector, we are neither meeting secular nor church policies and/or requirements even today, yet alone the envisaged likely increased governance and operational requirements on the church and these services in the future. This option was considered to be a reckless option to pursue as it would most likely result in reputational damage to both the church and Lutheran aged and community services agencies at some point in time.

Option B (the 'Regionalise all services at a District Level' option) was considered by a majority of participants as neither the best way forward nor a respectful way forward at this time in the history of Lutheran aged and community services. For such regionalisation to occur in a respectful way it would require the governing bodies of all Lutheran aged and community services in each District to agree to merge in this way. For those services currently operating well and at a level of excellence this would not necessarily be a sensible or tenable course of action (why join legally with a District or other services that are perceived to be operating at a lesser level of governance quality than their own service!)

There is also some understandable local pride and seemingly an inherent Lutheran 'streak of independence' (possibly even 'defiance') in many of the governors and managers of these services that currently mitigates against services joining together legally unless there is a pressing current reason to do so. At this stage in the evolution of governance in the Districts of the Lutheran Church of Australia, most Districts were perceived by agency governing bodies as being less capable of governing their service than the current governors.

It was agreed however that all Lutheran aged and community services within each District (noting that in Queensland most aged and community services have already merged into a District-wide service) should consider merger opportunities with other Lutheran services in order to enhance the probability of future governance and operational sustainability of their service.

Option C (the 'Nationalise all services' option) For the same reasons cited in Option B above, Option C was also considered by a majority of participants as neither the best way forward nor a respectful way forward at this time in the history of Lutheran aged and community services.

Not surprisingly, given the comments outlined in Option B above, many governing bodies and District representatives had concerns about LCA's current ability at the national level to govern a large and diverse merged aged and community services organisation – or even two or three large but separate national organisations.

It was agreed however that LCA has to do something to enhance the governance quality of many of the Lutheran aged and community services as

well as better co-ordinate external advocacy and lobbying at the national level in conjunction with these services.

Option D (the Matrix of mutual support and interdependence relationships (including voluntary mergers)' option). Given the information outlined in the above options, Option D was universally endorsed by participants as the best way forward at this time. For both the 'centralists' and the 'localists' Option D was not their preferred option but it was agreed that it was the best realistic way forward at this time in the life of the church and its aged and community services.

This option envisages little legal structural change (other than for voluntary mergers which is encouraged). The vision of this option is that structurally and legally there would be little change to the current mosaic of Lutheran aged and community services – except that over time there would be fewer legal entities as services merged for either quality or sustainability reasons. There would continue to be a large District governed service in Queensland. There would be both large and small services operating in South Australia. In Victoria some merging of governance functions could occur. Lutheran Aged Care Albury in NSW may remain as is or over time merge with another quality Lutheran service.

Primarily this option requires the LCA to:

- Work with Lutheran aged and community services utilising the LCA Principles of Dialogue¹ as well as the principles of subsidiarity², interdependence³, 'arms length' quality assurance⁴ and performance triggered oversight⁵.
- Provide much better governance and management support to the smaller Lutheran aged and community services as per the needs expressed by the services shown in Part C of this report
- Assist the services in being able to better lobby and advocate externally at the national level on behalf of all Lutheran aged and community services.
- Manage a governance oversight system that operates in accordance with the above principles and which enables Lutheran aged and community services to achieve effective governance as well as provide assurance to all other Lutheran aged and community services that their service is well governed, well managed and sustainable.

This option requires all existing Lutheran aged and community services to:

¹ See definition in Appendix 4

² See definition in Appendix 4

³ See definition in Appendix 4

⁴ See definition in Appendix 4

⁵ See definition in Appendix 4

- Work with the LCA utilising its Principles of Dialogue as well as the principles of interdependence, collective action⁶, 'arms length' quality assurance and performance triggered oversight.
- In the spirit of interdependence, provide much better assurances to the LCA and all other Lutheran aged and community services that their service is well governed, well managed and sustainable through participating in the planned peer-based governance oversight system.
- In the spirit of collective action, work with other Lutheran aged and community services and the LCA (to the extent possible for their organisation) to provide mutual support and achieve consistency in national lobbying and advocacy as required.

It needs to be said that the chosen option, Option D, is not a 'soft' option, nor will it be an easy option to implement. It was also not a decision rushed into by the participants in this Review. Consensus around Option D only followed twelve months of reflection, prayer and dialogue. Option D also doesn't equal 'no change', it requires definite change in quality by both the LCA and all Lutheran aged and community services. These changes are outlined in the next part of this report.

⁶ See definition in Appendix 4

PART E: NATIONAL CONFERENCE AGREEMENTS and ACTION PLAN:

Agreements and Follow-up Actions agreed at recent Historic Conference

The national 'Discerning Our Future' conference for Lutheran Aged and Community Services was held in Adelaide on 13 and 14 October 2017.

The conference discussed the recommendations and issues contained in the 'Discerning Our Future' Report dated 8 September 2017. The conference continued a collegiate approach to planning the strategic future of Lutheran aged and community services that had been evident throughout this twelve month project and in the earlier national workshop held at Nundah, Brisbane on 15 July 2017.

In a historic first delegates to the conference agreed on a range of strategic matters and follow up actions for the way forward. These agreements and action implementation plans were clustered under 7 strategic agreement areas as follows:

Agreement 1: The **LCA vision and underpinning key governance principles** for Lutheran aged and community services as set out in Report 2 of this Dialogue (refer Appendix 4 of this Report) be adopted by the church and all Lutheran aged and community services.

Action 1a: This to be included as a recommendation in the Reviewer's final report.

Action 1b: Peter Schirmer to advise GCC of this positive development.

Action 1c: All services to self-assess themselves against this draft vision and governance principles and if a service considers it is not meeting the LCA vision and principles for aged and community services governance it will do something positive (like contacting another Lutheran Service) and do it now!

Agreement 2: A concise **Lutheran Theological Ethos suite of documents** be developed by LCA, in accessible language, consistent with recommendations in Report 2 of this Dialogue, that can be used as a key guiding document in all Lutheran aged and community services.

Action 2a: This to be included as a recommendation in Reviewer's final report.

Action 2b: The LCA Committee for Ministry with the Ageing (CMA) in partnership with LCC SA to follow up and develop these documents in consultation with the sector.

Agreement 3: The **governance standards** as set out in Report 2 of this Dialogue (now shown in Appendix 5 of this report) be the future minimum governance standards expected of Lutheran aged and community services

and these standards should be endorsed by LCA and adopted by all Lutheran aged and community services.

Action 3a: This to be included as a recommendation in Reviewer's final report.

Action 3b: Peter Schirmer to advise GCC of this positive development.

Agreement 4: LCA Districts to continue to enhance their support, as per action areas set out in Report 2 of this Dialogue, of Lutheran aged and community services within their jurisdiction.

Action 4: District representatives present advised they will continue to action the specific recommendations made in Report 2 of this Dialogue relevant to their District.

Agreement 5: LCA national office to provide much greater support to the sector, particularly to small and/or remote services, as has been requested by these services and outlined in Report 2 of this Dialogue (e.g. provision of 'model' constitutions; model governance policies; model 'lead' policies; an LCA branding guidance policy; support for national advocacy; governance induction support; and ongoing professional development support for Chairs and CEs etc).

Action 5a: This to be included as a recommendation in Reviewers final report.

Action 5b: Peter Schirmer to advise GCC of this agreement

*Action 5c: To develop **three 'Model Constitutions'** that can be used as exemplars for the updating of the registering instruments of the three types of legal entities of Lutheran aged and community services within Australia. This will be initially actioned by:*

Action 5c (i): Initially Lutheran Services Queensland (LSQ), LHI Retirement Services, and Lutheran Aged Care Albury (LACA) will together develop model constitutions in consultation with Matthew Turnour that they can subsequently share with other LCA aged and community services.

Action 5c (ii): Peter Schirmer, Executive Officer of the Church, will alert GCC about this efficiency initiative to prepare the way for the constitutions also going to the LCA Standing Committee for Constitutions for their review.

Action 5d: Services with existing quality governance policies will share them to enable the less well-resourced services to have access to, and build their suite of, quality governance policies. Key policies to share ASAP were identified as: annual responsibilities of a governing body; delegations policy; risk policy; board member selection policy; continuing education policy; board member tenure policy (ideal maximum length of stay 10 years); oversight of CEO policy; and WHS policy. This will be initially actioned by:

Action 5d (i): Peter Schirmer will investigate the possibility of developing a restricted password-entry online portal of governance policies for the Boards and chief executives of Lutheran aged and community services

on which governance policies and other key governance documents can be uploaded.

Action 5d (ii): When and if possible, Peter Schirmer will arrange for the uploading of Appendices 26 and 27 from Report 2 onto this restricted clearinghouse as draft model documents relating to board member induction and ongoing professional development.

Action 5d (iii): Lutheran Services Queensland will take the lead in getting the abovementioned policies and other key governance policies to Peter Schirmer so Peter can arrange to also place them on the restricted access clearinghouse for Lutheran aged and community services

Action 5d (iv): Other Services who consider they have best practice governance policies will also forward their specific best practice policies to Peter Schirmer.

Action 5e: Together with the sector, LCA will develop a concise “**Owners Resource Kit**” consistent with statements in Report 2 of this Dialogue, that can be used with the owners/stakeholders of services to enhance their knowledge and skills in ‘ownership governance’ (the resource kit to include information on how owners can best ensure competent Boards, succession planning by Boards, questioning of Directors at AGMs etc).

Action 5e (i): Les Stahl will provide additional information in his final report.

Action 5e (ii): Peter Schirmer will coordinate the development of this resource through his office.

Action 5e (iii): Wendy Rocks from Lutheran Aged Care Albury will forward some information in this regard to Peter.

Action 5f: On behalf of LCA, together with the sector, the CMA will further refine the Lutheran ‘End of Life Support guidance statement’ into a **national Lutheran ‘End of Life Support Policy**’ to give clearer guidance to Lutheran aged and community services in this important area of service and care. This will be initially actioned by:

Action 5f (i) Services with an existing ‘End of Life Support Policy’ or similar will forward a copy of their policy to CMA so CMA can take account of existing policies in developing this policy.

Action 5g: On behalf of LCA, together with the sector, the CMA will develop a national Lutheran ‘**General Diversity Inclusiveness Policy**’ for all Lutheran aged and community services. This policy will give guidance in regard to individual and cultural respect, relevant to working with people with disabilities, people with different religious beliefs and the LGBTI, Indigenous and multicultural communities.

Action 5g (i) Services with an existing ‘General Diversity Inclusiveness Policy’ or similar will forward a copy of their policy to CMA so CMA can take account of existing policies in the development of this important policy.

Action 5g (ii) Lutheran Aged Care Albury and LHI will assist CMA in developing this Policy.

Action 5h: LCA, in consultation with the sector, to develop a short suite of **general branding guidelines** that could inform and assist individual Lutheran aged and community services within Australia. (It was noted that Linda Macqueen is already in the process of developing general branding guidelines and services could provide feedback when this policy is released). This will be initially actioned by:

Action 5h (i) Peter Schirmer following up this request with Linda.

Action 5h (ii) Services providing feedback to Linda following the release of the general guidelines.

Action 5i: The CMA will arrange for **key Lutheran policies** relevant to Lutheran aged and community services to be **more easily accessed** by these services by having links to these policies on the webpage of the Committee for Ministry with the Ageing.

Action 5j: LCA to **better support the Chairs** of the governing bodies of Lutheran aged and community services, particularly the Chairs of small and/or isolated services, by ensuring every chair has access to Lutheran networking and support meetings as well as professional development opportunities. This will be initially actioned by:

Action 5j (i) District Administrators to follow up with Chairs within their Districts as to needs in this regard

Action 5j (ii) South Australian joint chair meetings will consider inviting the Chairs of LACA, LCCSA and LDS to be part of any such joint meetings

Action 5j (iii) Any such joint chair meetings in Victoria will consider inviting the Chair of LACA to be part of any such joint Chair meetings

Action 5k: LCA to **better support the chief executives** of Lutheran aged and community services, particularly the executive officers of small and/or isolated services, by ensuring every CE has access to Lutheran networking and support meetings. This will be initially actioned by:

Action 5k (i) District Administrators to follow up with CEs within their Districts as to needs in this regard

Action 5k (ii) Any joint CE meetings in both South Australia and Victoria will consider inviting the CEs of LCCSA, LDS and LACA (respectively) to be part of any joint CE meetings in those jurisdictions

Action 5k (iii) CMA (or other appropriate LCA body) to consider the strategy of co-ordinating a formal LCA aged and community services conference every three or so years. This is considered a particularly important strategy for the managers of small Lutheran services as many of these staff neither have much opportunity to network with other leaders of Lutheran services nor do their agencies have much time or finances for them to attend commercial or other national conferences.

Action 5l: LCA to organise its support for this Lutheran sector **better at the national level** so that the LCA/Lutheran aged and community services can:

- meet informally near the beginning of each year as a sector-wide network to discuss matters of importance to the sector (including giving guidance on priorities for national advocacy);

- *circulate quickly key national policy and funding developments in aged care, disability and community services amongst all LCA aged and community services;*
- *co-ordinate/sponsor governance and management training, especially for small/isolated services;*
- *efficiently and effectively communicate with each other;*
- *speak with one voice at external national forums; and*
- *continue to access up-to-date information and policies about governance.*

This will be initially actioned by:

Action 5l (i): Peter Schirmer investigating the feasibility of employing a support co-ordinator to co-ordinate and support the above outcomes for Lutheran aged and community services in liaison with the CMA;

Action 5l (ii) Peter Schirmer, in consultation with the sector, overseeing an investigation about the feasibility of establishing an ongoing internet based communication sharing facility for these services; and

Action 5l (iii) Peter Schirmer, in consultation with the sector and CMA, investigating whether further support structures are warranted at the national level such as the establishment of a national Lutheran Aged and Community Services Reference Group or a national association for Lutheran Aged and Community Services.

Agreement 6: Lutheran aged and community services will sign up to participating in an **annual governance quality assurance system** within the LCA that is efficient yet robust and which will enable each service to provide annual assurance to each other and the church that it has effective governance processes in place, is sustainable and is compliant with LCA standards of governance. This outcome will be achieved by each service providing, on an annual basis an agreed data set to LCA, including having an annual conversation about governance with two or three suitable peers⁷.

Action 6a: This to be included as a recommendation in Reviewers final report.

Action 6b Peter Schirmer to advise GCC of the above agreement and to investigate the best and most efficient way of co-ordinating this annual QA process (an obvious option being through the support co-ordinator referred to earlier in action 5l(i)).

Agreement 7: We as a leadership group of the Lutheran Aged and Community Services Sector, agree to go forward with the Emergency Intervention protocol outlined in Report 2 of this Dialogue in the interests of the common good. Specifically, Lutheran aged and community services will sign up to a process to develop a respectful, high quality, efficient and expert mechanism in the LCA, consistent with what is outlined in Report 2 of this Dialogue, whereby the LCA, on behalf of all Lutheran aged and community services,

⁷ A large service provider would have an annual conversation with three persons – say, Bishop/Assistant Bishop, a Governance expert and a sector expert such as a peer CEO. Small services may only need to converse with the Bishop/Assistant Bishop and a peer CEO from a larger organisation.

has **emergency powers** to intervene in a service when it is imperative for the church to do so in the best interests of the wider Lutheran aged and community services sector. It is envisioned that the rights and responsibilities in relation to this matter will be outlined in a Quality Services Agreement between the legal entity of each service and the LCA.

Action 7a: This to be included as a recommendation in Reviewers final report.

Action 7b Peter Schirmer to advise GCC of the above and in consultation with the sector and involved Districts, will further develop this protocol based on the guidance provided on p42 and Appendix 29 of Report 2 of this Dialogue.

Significance of these Agreements

Assuming the governing bodies of Lutheran aged and community services, Districts and GCC formally adopt these national conference consensus agreements, these agreements should enable Lutheran aged and community services to flourish into the known future with governance remaining at the local level whilst ensuring greater support is available to them from both the wider church and each other. If this consensus based vision continues to be agreed and is implemented, there will also be no current need for LCA to move to restructure Lutheran aged and community services into a more District based or national type of organisation at this time. By implementing this suite of agreements everyone will be able to go forward with greater confidence that all Lutheran aged and community services are sustainable and well governed!

PART F: RECOMMENDATIONS TO GCC

Based on the agreements reached throughout this dialogue and at the National Conference in October 2017 the reviewer makes the following recommendations to GCC.

GCC to keep Dialogue-approach going

1. *In implementing the recommendations in this report GCC should continue the good work of consensus-based decision making by working in partnership with Districts and the Lutheran aged and community care sector utilising a dialogue based methodology.*

As outlined in the 'elephant in the room' section in Report 2, whatever steps the Lutheran Church of Australia takes in 2018 and onwards to enhance the governance of aged and community services associated with the LCA, it needs to build in processes (like this Dialogue project has tried to) to ensure issues like lack of confidence in, and mistrust of, other groups, as well as differing visions of 'church', 'risk management' and 'church governance' are included and addressed in all discussions to do with change.

Change 'processes' more than 'structures'

2. *Based on feedback, there is no need for substantial change to the existing legal structures and legal relationships of most of the Lutheran aged and community services sector at this time.*

This view was not arrived at in haste. The question of structure was widely canvassed throughout this dialogue. This issue was discussed during the many consultation visits and meetings with providers and church councils and committees. Based on feedback to the Reviewers, future possible structural options were flagged in Report 1. The matter was further discussed in detail at the Nundah workshop where a small group discussed this matter for most of the day. This issue also took up much of Report 2 before the matter being finally agreed at the second national conference.

Depending on how the Lutheran Church of Australia structures itself in the future, and depending on future operational pressures on aged and community services, it may be appropriate to rationalise these Lutheran services more than just through voluntary mergers/take-overs at some time in the future - but at this time there is little sector wide appetite for forced rationalisations.

We are however required by the TOR to advise on “a national ‘system’ model for the governance oversight of aged and community services within the LCA.” The following recommendations attempt to meet this requirement.

3. *All governing bodies of Lutheran aged and community services, as a matter of priority, should formally research and minute whether it would be a strategic sustainability advantage for their organisation to merge or partner with one or more other Lutheran services given the known head winds that will continue to impact most, if not all, services within the aged and community sectors in Australia.*

The reviewer considers that merging/rationalising of the governance function of some services should be seriously considered, noting that such rationalisation at the governance level of organisations may result in little or no structural change to local service delivery (unless service delivery changes are also required in particular instances).

Development and adoption of core governance documents

For the future, to meet good governance standards, church and community expectations, the Lutheran Church of Australia needs to have quality governance *standards* and *policies* as well as robust governance ‘quality assurance’ oversight *processes* (business systems) in place in each jurisdiction of the church that is involved one way or another in this ministry to human need.

Accordingly the LCA and its aged and community services sector should co-design the following core documents:

4. *Following refinement as necessary, the LCA vision and underpinning key governance principles for Lutheran aged and community services as set out in Appendix 4 of this Report be adopted by the church and all Lutheran aged and community services.*
5. *The Lutheran Church and the Lutheran aged care and community services sector co-design and subsequently adopt a set of key guiding Lutheran theological ethos documents for Lutheran aged and community services.*

This action should not only produce a needed and practical resource for this sector but help ensure each service be clear about the spiritual (moral) owners of their service. This resource should also assist in enhancing relationships between services & congregations.

These documents should be written in accessible (‘plain English’) language and be a practical suite of theological resources for use in these services. The suite of resources should include:

- A concise theological exposition for members of governing bodies, executive teams, chaplains and/or spiritual advisors
- A concise resource that chief executives can use in developing their culture, formation, employment and other HR policies
- An induction training package for use with new staff
- A short (one to two page) handout for staff
- A short (one to two page) handout for volunteers
- A short (one to two page) handout for congregations.

Such a combined concise document could consist of the following:

- Part A: Theological Exposition
 - Part B: A resource for executives and human resource managers
 - Appendix 1: Induction Training Program Outline
 - Appendix 2: Handout for staff
 - Appendix 3: Handout for Volunteers
 - Appendix 4: Handout for Congregations.
6. *The Lutheran Church and the Lutheran aged care and community services sector co-finalise and subsequently adopt a set of minimum Standards of Governance for Lutheran Aged Care and Community Services (refer Appendix 5 for elements of a draft standard that was agreed to at the Adelaide conference).*

Based on discussions during this dialogue and agreement at the October 2017 'Discerning Our Future' Conference, there is widespread support for the LCA to co-finalise with the Lutheran aged and community services sector a set of enhanced governance standards for these services based on the standards contained in Appendix 5.

7. *Following refinement as necessary, a formal Quality Services Agreement between the LCA and each Lutheran aged and community service as outlined in Appendix 6 be co-designed and implemented by the church and all Lutheran aged and community services.*

All Services to implement in-house improvements to governance

8. *All services to self-assess themselves against the proposed vision, governance principles and minimum governance standards for Lutheran aged and community services (outlined in Appendices 4 and 5) and if a service considers it is not meeting the vision, principles and standards it should act now to make improvements. Further, services should advise LCA that they have undertaken such assessment.*
9. *Each governing body of a Lutheran aged and community service develop an ongoing program of governance enhancements over the next few years that would enable each service to maintain or exceed*

the new governance standards – including ensuring as a priority that their existing constitutional and registering documents are up to date.

Better support and supervision by LCA Districts

LCA Districts to continue to enhance their support of Lutheran aged and community services within their jurisdiction, as per action areas set out in Report 2 of this Dialogue and as discussed, including:

- 10. Districts wanting an aged care and/or community services ministry should ensure they are actively engaged with these services at a governance level. Further, where discussions take place with services about more sustainable governance structures for the future, that those conversations occur in the spirit of the church's existing 'principles of dialogue'.*
- 11. The NSW District Church Council (DCC) continue to work to achieve a satisfactory and speedy outcome in relation to the small service at Gunnedah.*
- 12. The NSW DCC and Lutheran Aged Care Albury (LACA) dialogue to consider the best future arrangements for governance oversight of LACA by the church. Options to consider should include the NSW District significantly increasing its level of support and oversight of LACA or, outsourcing via contractual agreement specified support and oversight duties to another District, or transferring the ownership and assets of LACA to the balance sheet and asset register of another District, or considering merger/partnership opportunities for LACA.*
- 13. The Victorian DCC and the South Australian and Northern Territory DCC continue to facilitate discussion within their respective jurisdictions with each service operating within their District with the aim of both clarifying and improving governance arrangements. For some of the existing services these discussions should include serious consideration of the merging of some governance functions – even if actual service delivery does not need to change.*
- 14. Following consultations with LCA national about what enhanced support and oversight services will be implemented post this report for Lutheran aged and community services throughout Australia, and following consultation with all such services within South Australia, the South Australian and Northern Territory DCC should clarify the future of the existing South Australian/NT Lutheran Aged Care Council.*
- 15. The Queensland DCC continue to act to reduce the complexity in the governance arrangements associated with Lutheran Services Queensland – ideally so as to have only one group of governance qualified persons (on behalf of the Queensland Synod) responsible for the governance of Lutheran Services.*

Much greater support from LCA at the national level

16. *LCA national office to provide much greater support to the sector, particularly to small and/or remote services, as has been requested by these services throughout this Dialogue (e.g. provision of 'model' constitutions; model 'skills based' governance policies; model 'lead' policies; risk policy; an LCA branding guidance policy; support for national lobbying and advocacy; governance induction support; and ongoing professional development support for Chairs and CEs etc).*
17. *In the immediate term, LCA organise itself at the national level so that the LCA and Lutheran aged and community services can:*
 - *meet informally near the beginning of each year as a sector-wide network to discuss matters of importance to the sector (including giving guidance on priorities for national advocacy);*
 - *circulate quickly key national policy and funding developments in aged care, disability and community services amongst all LCA aged and community services;*
 - *co-ordinate/sponsor governance and management training, especially for small/isolated services;*
 - *efficiently and effectively communicate with each other;*
 - *speak with one voice at external national forums; and*
 - *continue to access up-to-date information and policies about governance.*

To effectively achieve the above in the short to medium term LCA could facilitate and achieve one or combination of the following structural options:

- a. A national support unit consisting of at least one person is formed within the national office of the church (as outlined in Report 1). (The unit would operate under guidance from a joint national committee consisting of Lutheran aged and community services representatives, a GCC representative and District representatives).
- b. A national support unit is housed in one or more large Lutheran aged and community services organisation/s (The unit would operate under guidance from a joint national committee consisting of Lutheran aged and community services representatives, a GCC representative, an LCA National Office representative and District representatives).
- c. A national sector association is formed (Lutheran sector service providers would be 'members') to carry out these 'support' functions.

Funding for any of these governance enhancement strategies would need to be negotiated on a 'fairness' basis but all parties (LCA, large and small services as well as LLL) should in principle contribute in

some form because, as outlined elsewhere in this report, all these parties will benefit from enhanced governance within Lutheran aged and community services.

In addition to the above recommendations, effective long term sustainability for the Lutheran aged and community services sector, in the opinion of the Reviewer, would only be assisted by the establishment of a professionally staffed national governance support and 'Quality Assurance' unit.

18. *LCA national office to initially co-ordinate the sharing of key policies and to later co-ordinate the development of key LCA wide policies for this sector to enable the less well-resourced services to have access to, and build their suite of, quality governance policies.*

As identified at the October 2017 Conference key policies to share ASAP are: annual responsibilities of a governing body; delegations policy; risk policy; board member selection policy; continuing education policy; board member tenure policy; oversight of CEO policy; and WHS policy.

19. *LCA national office together with the Lutheran aged care and community services sector either update its current Selection Policy for Membership of Governing Bodies or develop a separate policy for Lutheran aged and community services in line with a draft of such a policy in Appendix 7.*
20. *LCA national office together with the Lutheran aged care and community services sector develop a Board Member Induction Benchmark Policy (refer Appendix 8 for a draft of such a policy).*
21. *LCA national office together with the Lutheran aged care and community services sector develop a Board Member 'Continuing Education' Benchmark Policy document for LCA aged and community services (refer Appendix 9 for a draft of such a policy).*
22. *LCA national office together with the Lutheran aged care and community services sector develop an 'Owners Governance' Kit (refer Appendix 10 for elements of such a kit).*
23. *LCA, in consultation with the sector, co-design a short suite of general branding guidelines that could inform and assist individual Lutheran aged and community services within Australia, particularly in regard the use of the word 'Lutheran', the acronym 'LCA' and Lutheran marks and symbols by any Lutheran aged or community service. (Such guidelines would address all key branding issues including the use of the word Lutheran for those services that may not want Lutheran in their title).*
24. *LCA, in consultation with the sector, particularly Lutheran Disability Services and Lutheran Community Care SA & NT, and the Committee for Ministry to the Ageing (CMA), identify how best to facilitate national*

discussion about community services issues that are not currently within the terms of reference of CMA.

Introduction of a Sector QA system (two components):

Introduce a Lutheran aged and community services quality assurance (QA) system that has two key components:

25. *As agreed at the national conference in October 2017, all Lutheran aged and community services sign up to participating in an annual 'peer-based' governance quality assurance system within the LCA that is efficient yet robust and which will enable each service to provide annual assurance to each other and the church that it has effective governance processes in place, is sustainable and is compliant with LCA standards of governance. This outcome will largely be achieved by each service providing, on an annual basis an agreed data set to LCA, including having an annual conversation about governance with two or three suitable peers as agreed with LCA.*

A large service provider would have an annual conversation with three persons – say, Bishop/Assistant Bishop, a Governance expert and a sector expert such as a peer CEO. Small services may only need to converse with the Bishop/Assistant Bishop and a peer CEO from a larger Lutheran service.

The minimum data set would include:

- Copy of annual report including detailed financial and auditor reports
- Annual list of Governing body member names, their Lutheran Church membership status, their governance related qualifications, their length of time on the governing body and a list of governance training undertaken in that year by each governing body member
- Copy of the last performance appraisal of the governing body.
- Copy of the current annual work plan of the governing body.

In the opinion of the reviewer, the co-ordination of this QA process would best occur from within the LCA national office. The prime skills required for this co-ordinating role is respect for subsidiarity, co-ordination and facilitation skills (i.e. not 'governance' skills).

Like earlier agreements the above decision was not arrived at lightly or quickly. This was one of the key issues that was discussed throughout the twelve month project.

Various other options were considered and reported in previous reports. Suggestions included a top-down District model, a top-down national model, no QA system at all, regionalisation of all services at District level and nationalisation of all services.

The critical principles here are 'no Lutheran service is an island unto itself' (principle of interdependence) and the principle of 'arms length' objectivity.

The recommended peer-based 'arms length' quality assurance system should go a long way to assuring all Lutheran aged and community services, congregations, Districts, the national church and regulatory agencies that there is a systemic and robust governance oversight processes in the Lutheran Church of Australia for these many services (without having to implement a command and control model of quality assurance by the church).

The costs of this efficient QA system would largely be borne by the LCA and the larger services. The larger services would simply pay 'in kind' for the time and expense of the involvement of one of their executives in this process. Districts would similarly pay 'in kind' for the involvement of their Bishop/Assistant Bishop. The LCA may need to pay for the costs of managers from small services when they act as peer assessors should their small service not be able to afford such costs (and monies for this could come from a special 'fund').

The principle of 'Performance Triggered Oversight' was also discussed in Report 2 and at the October 2017 national conference because it dovetails into the above QA process. In summary the application of a 'Performance Triggered Oversight' principle in the proposed QA process means that over time this QA process would become streamlined for those services that demonstrate they are operating a quality service, with quality business systems and quality governance processes. Such services would only require routine oversight but those services that cannot regularly assure a high level of compliance to quality would trigger greater oversight interest by the peer assessors. Using this methodology some services would be seen as 'A+ providers' requiring little or no 'oversight'. Some services may require 'coaching' in specific areas. Other less well organised services may need significant support and oversight from either a peer organisation or the LCA (depending on the issue).

26. *As agreed at the national conference in October 2017, in the interests of the common good, all Lutheran aged and community services sign up to an Emergency Intervention protocol outlined below in order to have a respectful, high quality, efficient and expert mechanism in the LCA, whereby the LCA, on behalf of all Lutheran aged and community services, has emergency powers to intervene in a service when it is imperative for the church to do so in the best interests of the wider Lutheran aged and community services sector. The rights and responsibilities in relation to this matter to be clearly outlined in a Quality Services Agreement between the legal entity of each service and the LCA. The authority for LCA to intervene would be enshrined in the registering documents/constitution of each service.*

This emergency intervention protocol would be in the interest of all stakeholders including service recipients, staff, governing body members, other Lutheran aged and community services and the Lutheran Church itself and be developed by co-design.

This mechanism would be very carefully and clearly defined to ensure no perverse incentives or disempowerment is likely to occur, and that a 'hierarchy of potential interventions' is developed to ensure that an approach of support and assistance is offered first before any authoritative or structural intervention by the church.

The downside of this strategy is that it clearly links the church to these services at the governance oversight level and the church would need to be competent to intervene and actually intervene when necessary. Refer Appendix 11 for current thinking in regards to an emergency intervention protocol.

A key principle underpinning this recommendation is that if a service is a ministry operating on behalf of, or in the name of, the Lutheran Church of Australia there should be clear and robust governance 'support' as well as governance 'QA oversight' mechanisms by the church in operation - including powers for emergency intervention.

By adopting this respectful and efficient process it circumvents the need for LCA to seek another form of legal authority to have the power to intervene in or act against services choosing to operate under a 'Lutheran' banner.

As per recommendation 25, recommendation 26 too was not arrived at lightly or quickly. This was the most debated issue of this Dialogue. Other discarded options included a no intervention system at all model, a top-down District model, a top-down national model, regionalisation of all services at District level and nationalisation of all services.

Any option less than the recommended option does not effectively reduce any of the current reputational and financial risks posed to the Lutheran church and this sector by any one Lutheran aged and community service and it would leave the Church exposed to potential law suits.

The Essential cost of conducting Mission

The Question of Costs and 'who pays' was a question raised throughout this Review.

In the opinion of the Reviewers, the more important question is "what is the cost to the church of not investing more resources into the governance of Lutheran aged and community services?" The stark truth is probably that if more effort is not put into supporting good

governance processes within this Lutheran sector not only will the vision of the Lutheran Church in regard its aged and community services sector not come to fruition, the following outcomes may well occur instead:

- reputational damage from a sub-standard service or one that has to close;
- financial costs associated with a service that has accrued significant debt but is unable to meet loan repayments;
- church personnel being busy ‘fire-fighting’ operational or governance crises rather than supporting the mission of these services in pro-active ways; and
- the number of Lutheran aged and community services organisations may dwindle within the next ten to twenty years.

To answer the question of “who should pay for enhanced governance processes and/or structures?” one only needs to ask the question ‘who would benefit from enhanced and more sustainable aged and community services?’

It would seem the following people and agencies would benefit:

- service users;
- Lutheran aged and community services organisations (small services because of the extra support they would be receiving; large organisations because of the reduction in reputational risk they would otherwise have to weather);
- The Lutheran Church of Australia (reduction in financial and reputational risk and ongoing achievement of one of the strategic priorities of the church); and
- Lutheran Lay League (LLL) (reduction in the risk of bad loans to this sector).

Perhaps the simplest way of funding a quality assurance program to enhance the quality of governance and service delivery in this Lutheran sector is to structure funding such that all four of the above beneficiary groups pay – or at least the last three groups listed above.

As LLL is an APRA regulated ADI not owned by the LCA, any such involvement by LLL would need to be on the basis of a request from GCC for funding.

27. LCA facilitate the development of a substantial ‘governance enhancement and assurance’ budget to achieve all of the recommendations contained in this report and that all four stakeholder groups outlined immediately above contribute to this budget. Structurally this could be achieved by the GCC establishing a

governance enhancement and assurance fund for Lutheran aged and community services that all involved parties contribute to.

Process Forward Recommendations

28. GCC expand the Terms of Reference of this project's 'Dialogue Advisory Group' (DG) or institute a new Lutheran Aged and Community Services Governance Enhancement Committee (LACSGEC - consisting of LCA and service provider representatives skilled and experienced in governance and change management) to progress these recommendations and begin the next phase of aged care and community services change management within the church.

29. That at the next gathering of this sector in March 2018, agreement be reached as to how services will report back to LCA their achievement or otherwise in implementing the national agreements and recommendations contained in this report as well as how the LCA will communicate to the sector its activities in bringing about these agreed changes.

Such a mutual process of assurance, tracking of agreed actions and ongoing good communication are considered essential in enabling the vision of enhanced governance to become a reality for this sector.

30. That bodies overseeing or considering merger opportunities ensure a time limited merger oversight committee is set up for each merger, consisting of representatives from the merging bodies and the overseeing body, in order to better ensure a smooth and satisfactory merger of services – or arrange for some other form of effective change management oversight to ensure a smooth transition.

31. That bodies overseeing the merger of governance functions between geographically distant services (including from another State or Territory) consider the value of instigating local 'committees of service' to act as advisory and assistance committee to the local service manager.

'Committees of Service' are reported as a simple and inexpensive way of capturing the voluntary enthusiasm, knowledge and skills of local service supporters who are more interested in local service support (e.g. fund raising) than in carrying out the duties in relation to modern governance requirements.

32. LLL and LCA consider amending future loan requirements in relation to LCA aged and community services agencies in the light of the above recommendations. That is, in the future lend only to those Lutheran aged care and community services that acknowledge and

abide by the LCA Standards of Governance for Aged Care and Community Services.

LLL may well be able to accommodate this change under current agreed loan guidelines if requested to do so by GCC.

33. *LCA develop a 'governance quality' strategy to implement with any aged and community service that identifies or promotes itself as Lutheran but does not choose to 'sign up' to these new structures, processes and protocols.*

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APPENDICES

Appendix 1: Results of Recent LCA Governance Review

At its Convention in April 2013 the LCA General Synod adopted a resolution which was the impetus for the General Church Council's commissioning in February 2014 of a church-wide Governance and Administration Review. The Review Report was completed on 20 February 2015 and made 28 recommendations.

Relevant recommendations included:

- That a high priority be given to implementing the LCA Strategic Goal to improve governance at all levels, specifically the introduction of governance policies, improving the recruitment, induction and training of the members of governing groups.
- That the governing groups which could benefit from a skills-based model of membership recruitment be identified and then develop models, policies, training and processes to make this transition possible.
- Introduce transparent evaluation processes for all governing groups appropriate to the size and responsibility of the group.
- That the National Church Functions be re-structured to provide leadership, governance and other resources that are Church-wide, mission-focused, service orientated, efficiently delivered and effective in enacting the decisions and direction of Synod.
- Establish a National Support Services Program coordinated by the Operations Executive Officer to provide local congregations and District Offices with timely, accurate and accessible governance and management support.
- That the General Church Council identify and promote strategies through which the interrelationship of the whole Church is valued and collaboration at every level is energetically encouraged.

Messages conveyed by these recommendations are that governance in this church needs to be improved; governance should be skills based; evaluation of governance performance is important; the church at its national level should provide more governance leadership and management support; and we all need to collaborate and see ourselves as being interdependent and interrelated in pursuit of the mission of the church.

Reviewer conclusions for that review included:

- The General Church Council can seize their consolidated leadership potential and embrace the changes necessary even if some of those changes might appear to disadvantage them locally.
- There is recognition, across the whole Church, that a representational method of selecting governing group members is no longer adequate to addressing the increasing complexity of making governance decisions.
- The various governing groups at national level and their support services evolve in a collaborative, mission-focused and service orientated way.

Messages from this earlier review are that we need to place the interests of the whole church before our local interests; and that any 'national' governance groups need to be service orientated and collaborative.

Appendix 2: List of Lutheran Aged and Community Services Organisations

Organisations Involved in this Dialogue

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

- Lutheran Community Care Qld, (multi sites in Qld)
- Peace Haven, Gatton Qld
- St Mark's Court Retirement Units, Dalby Qld

- Fullarton Lutheran Homes Inc, Fullarton SA
- Lutheran Homes Inc, Glynde SA
- Murray Bridge Lutheran Homes Inc, Murray Bridge SA
- Riverview Lutheran Rest Home, Loxton SA
- St Paul's Lutheran Homes Ltd, Hahndorf SA
- Tanunda Lutheran Home Inc, Tanunda SA
- Trinity Place Ltd, Pasadena SA
- Valley of Praise Retirement Village Inc, Lobethal SA
- Victor Harbor Lutheran Homes Inc, Victor Harbor SA
- Lutheran Community Care SAandNT, Sefton Park SA
- Lutheran Disability Services, Sefton Park SA

- Calvary Retirement Village, Greensborough Vic
- Eventide Lutheran Homes, Hamilton Vic
- Good Shepherd Retirement Village, Ringwood Vic
- Martin Luther Homes Boronia Inc, The Basin Vic
- Sunnyside Lutheran Retirement Village, Horsham Vic

Services Contacted but not involved in Dialogue

- St Matthew's Lodge, Goombungee Qld
- Nazareth Residential Aged Care, Woolloongabba Qld
- Trinity Court Aged Care Southport, Ashmore Qld
- Trinity Haven Lutheran Units, Lowood Qld.
- Allambie Heights Village Ltd, Allambie Heights NSW.

Appendix 3: Results of ‘Free’ Governance Health Checks

Quality of Current Governance (based on our interviews)

All services that participated in the Dialogue conversations were invited to participate in a separate Governance Health Check conversation. A detailed and confidential ‘governance health check’ report was provided to each participating organisation. Accordingly only the high level cumulative results of those governance health check interviews are shown in this report.

In terms of governance and leadership capability there is wide variance in the competency levels among the twenty one governing bodies interviewed. Some organisations are well governed, some have been assessed with a ‘pass mark’ while a few struggle to maintain even the mandatory legal and governance standards. All however see themselves as providing an important ministry of the church.

The following table (Table 1) indicates the high level results from the governance health check sessions. The table indicates the assessed current competence levels of governing bodies interviewed in relation to each of the twelve ‘disciplines’ of ‘best practice’ governance. Organisations were assessed using a ‘traffic light’ system of green, light green, amber and red.

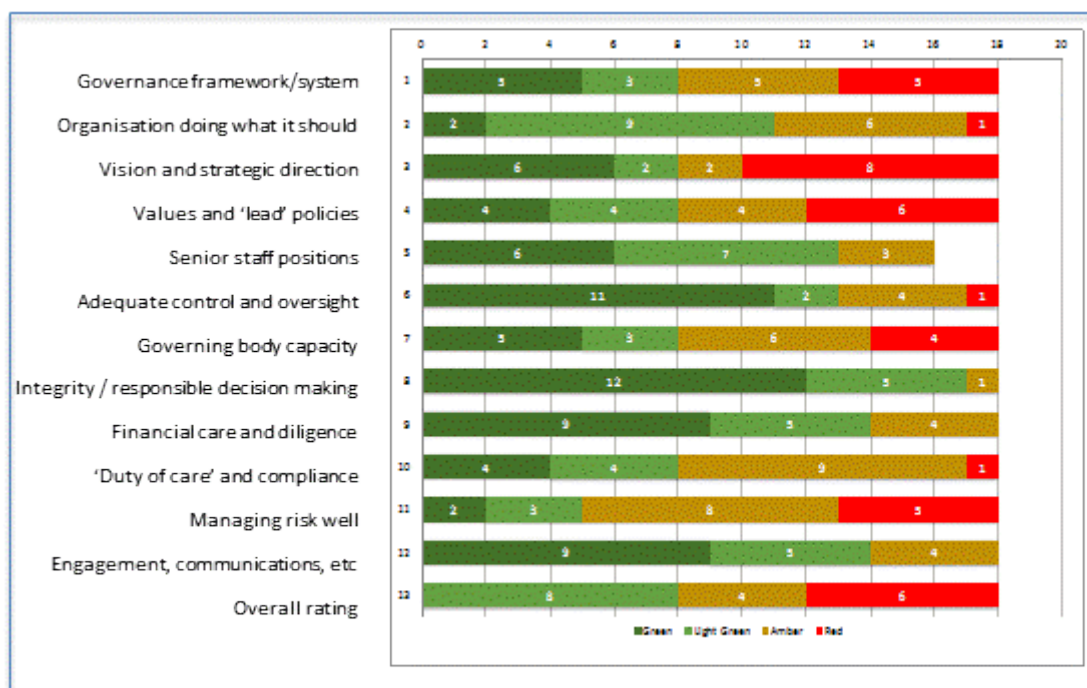
It is important to mention that this was a rigorous assessment and an assessment of ‘best practice’ in governance, not just ‘good practice’. For an organisation to have scored an overall rating of ‘green’ it would have had to be a near perfect organisation. Accordingly an overall rating of ‘light green’ needs to be interpreted as a good result.

Table 1: Organisation performance against 13 governance focus areas

| 12 ‘Disciplines’ of governance | Green | Light Green | Amber | Red |
|---|--------------|--------------------|--------------|------------|
| An adequate governance framework/system is in place and in use | 5 | 3 | 5 | 5 |
| The governing body ensures that the organisation is doing what it is set up to do | 2 | 9 | 6 | 1 |
| There is an adequate vision and strategic direction for the organisation | 6 | 2 | 2 | 8 |
| The values and ‘lead’ policies of the organisation are clear and in writing | 4 | 4 | 4 | 6 |
| The governing body is clear about what senior staff positions it appoints, supports and supervises/manage - and how, and this is in writing | 6 | 7 | 3 | 0 |
| The governing body maintains adequate control and oversight of the work of the organisation (to protect it and the people to whom it owes a duty of care) | 11 | 2 | 4 | 1 |
| The governing body ensures it has the capacity to carry out its role and responsibilities and ensures it is performing them well | 5 | 3 | 6 | 4 |
| The governing body knows it is acting with integrity and making decisions responsibly. | 12 | 5 | 1 | 0 |
| The governing body knows it is acting with care and diligence in financial matters | 9 | 5 | 4 | 0 |
| The governing body knows the organisation is meeting its ‘duty of care’ and other compliance responsibilities (applicable to the type of entity it is, where it is located and the activities it is involved in). | 4 | 4 | 9 | 1 |

| 12 'Disciplines' of governance | Green | Light Green | Amber | Red |
|---|-------|-------------|-------|-----|
| The governing body knows that it and the organisation is managing risk well. | 2 | 3 | 8 | 5 |
| The governing body knows the organisation is meeting its engagement, communications, reporting and evaluation requirements. | 9 | 5 | 4 | 0 |
| Overall rating | 0 | 8 | 4 | 6 |

Figure 1: Organisational performance against 13 governance focus areas



In summary, the above table and chart shows there is a wide variance in the skill levels of existing governing bodies in relation to these areas of governance.

Particular areas of concern include:

- Ensuring an adequate governance framework/system is in place and in use
- Ensuring registering documents for the organisation are up to date with regulatory best practice
- Ensuring there is an adequate vision and strategic direction for the organisation
- Ensuring the values and 'lead' policies of the organisation are clear and in writing
- Ensuring the governing body has the capacity to carry out its role and responsibilities and that it is performing them well
- Ensuring the governing body knows the organisation is meeting its 'duty of care' and other compliance responsibilities (applicable to the type of entity it is, where it is located and the activities it is involved in)
- Ensuring the governing body and the organisation is managing risk well.

Quality of Current Registering Instruments (based on legal review)

All organisations that participated in the governance health check interviews were also invited to provide a copy of their registering instrument/s for a high level legal review. Nineteen sets of documentation were received.

This high level review was undertaken by Matthew Turnour from NandT Lawyers Queensland. Matthew was retained for this project because of his expertise and extensive experience in providing legal advice to churches throughout Australia.

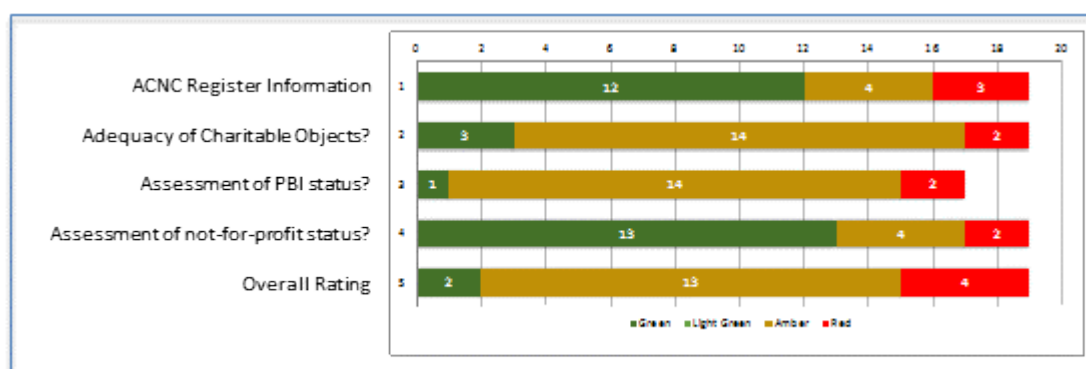
Matthew assessed the registering instruments and other documents supplied from the legal point of view. He also reviewed the material that the organisations had provided to the ACNC. Matthew provided high level commentary and advice on each of the registering instruments that he reviewed back to each governing body.

The following Table and Figure indicates the results of Matthew's assessments using the green, amber and red 'traffic light' system.

Table 2: Quality of Registering and Charitable documentation reviewed

| Areas subjected to high level review | Green | Amber | Red |
|--------------------------------------|-------|-------|-----|
| ACNC Register Information? | 12 | 4 | 3 |
| Adequacy of Charitable Objects? | 3 | 14 | 2 |
| Assessment of PBI status? | 1 | 14 | 2 |
| Assessment of not-for-profit status? | 13 | 4 | 2 |
| Overall rating | 2 | 13 | 4 |

Figure 2: Quality of Registering and Charitable documentation reviewed



In summary, the above table and figure shows that it may be prudent to update a number of the existing registering instruments and that some organisations could improve the quality of the information they supply to ACNC.

Appendix 4: Vision and Key Governance Principles for Lutheran Aged and Community Services

It was evident throughout this project and at both the “*Options For Our Future*” Workshop at Nundah and the “*Discerning Our Future*” Conference in Adelaide that there is a lot of common ground in regards to both a Vision for Lutheran Aged Care and Community Services as well as in regard to principles and strategies for enhancing governance within the sector.

An Agreed Vision

Based on the Terms of Reference of this Dialogue the vision of the LCA in relation to Lutheran aged and community services is one where:

- All Lutheran aged and community services organisations operate true to their purpose and mission, manage ongoing change well, deliver services to a high standard and achieve effective outcomes;
- Lutheran aged and community services organisations meet the LCA’s requirements for governance and leadership being they “are at all levels well governed, run with effective structures and processes, financially sustainable, professional and accountable”;
- Lutheran aged and community services align with and support the LCA’s Strategic Direction;
- The sector operates in an open, transparent and trusting environment; all key stakeholders are given opportunity to have their points of view heard; and the sector develops commensurate with stakeholders’ ability to embrace change;
- Both the LCA and its aged and community services organisations meet their legal and compliance requirements in an effective and efficient way;
- Effective accountability and risk management is occurring without being inefficient or risk adverse;
- Mission and ministry opportunities with congregations and other services are actively sought;
- Resources are used effectively to maximise equity of aged care service and support for people living in and/or care for by all Lutheran aged and community services;
- There are national policies/standards available for Lutheran aged and community services outlining the Lutheran ethos, philosophy and theological identity, that is utilised by all services including in employment-related policies and staff formation;
- There is national consistency in the implementation of Church-wide aged care and community services related policies that satisfy both Church and State requirements;
- Responsibilities in respect to financial and risk-related matters (including financial and reputational risk) are clear and appropriate at LCA national, District and individual service levels;

- The most effective accountability and risk management arrangements are in place at national, District and service levels including the most appropriate governance and legal structures to achieve that end;
- All governing bodies are competent to meet their obligations and carry out effective decision-making, particularly in an increasingly challenging market environment;
- Lines of authority and delegations of authority are clear and appropriate;
- Reporting from and to accountable bodies is clear and appropriate;
- There are ongoing opportunities for learning, sharing and growing within the Lutheran aged and community services sector; and
- Lutheran aged and community services are an important part of the mission and ministry of the Lutheran Church of Australia and accordingly LCA appropriately oversees this sector.

In regard to the above Vision both LCA and service provider representatives involved in this Dialogue agree that Lutheran aged care and community services should:

- Be seen as an important vibrant mission and ministry of the Lutheran faith, addressing human need within a Lutheran ethos (and not a ministry that should be closed down, sold off or given away);
- The rich diversity of Lutheran aged and community services continues to joyously grow and be a beacon of light for disadvantaged communities and a point of loving support and care for the many groups of people who access these services;
- Some of these services may be direct instruments of the LCA – whether congregational, District or nationally run services. Others services may be legally independent of the LCA. As a Lutheran mission and ministry they are all however interdependent on each other and the church;
- All of these services are quality services with quality governance, management and operational processes in place. They are at all levels well governed, run with effective structures and processes, financially sustainable, professional and accountable;
- These services receive active support from the Lutheran Church of Australia because of the church's inherent governance responsibilities in regard to those services operating as a ministry of the Lutheran Church;
- All of these services work together to mutually strengthen and provide enhanced support to each other so as to both increase the sustainability of the whole of this ministry and through robust discussion, speak with one Lutheran voice at important external forums and public events;
- In particular the Church and this 'fellowship' of services actively support the smaller services with strategic policy advice, governance advice and public advocacy and lobbying;

- The LCA also provides a quality assurance function, providing assurance to Lutheran aged and community services, members of the church and the wider community that all Lutheran aged and community services are meeting the standards expected by the Church, its services and society; and
- Representatives of these services and the LCA work collaboratively with other churches and like minded organisations to further this ministry of the Lutheran Church to meet human need.

Key Principles

The following six governance principles outlined in this Appendix may help manage a key three level tension within the LCA – that of local independence vs a church where most legal and governance matters also involve District and national levels of the church.

Principle of Subsidiarity

This principle encourages ‘authority to make governance decisions’ to be placed whenever possible at the level of available decision making competence closest to service provision – that is, as close as possible to the people involved in day to day mission and ministry. This principle encourages decision making authority not to be placed centrally except for those decisions that are best made from a central position. For example, if a service can be governed and operated competently at a local level it should be allowed to do so.

Principle of Collective Action (for the Common Good)

This principle encourages us to think of the greater good or the ‘common good’ and is a critical principle to prevent selfish or silo thinking and behaviour. This principle highlights the usefulness of collective wisdom, stability and strong concerted action as opposed to many disparate voices or approaches. In this Lutheran aged and community services sector the Lutheran voice will not be heard, nor heard as ‘one voice’, in national policy debates unless services value and are committed to working together and investing time and resources at the national level. The implication of this principle for us following this review means being effectively organised at both the national and District levels of the Church.

Principle of Governance Interdependence (or mutuality of rights and responsibilities)

This principle reminds us that we are neither alone, nor God. It reminds us that in interacting with others we have both rights and responsibilities. In complex organisations it reminds us that as a service or a ‘unit’ in the organisation we have certain rights but that as we are also part of a larger network, movement (or in our case) a church, that we also have certain obligations and responsibilities

to the other parts of the Church and to be a 'team' player. This is the principle that reminds us that even if we have the delegated authority to self govern, we have a responsibility in a networked organisation to provide assurance to our network peers and the church that we are governing ourselves well.

This principle is critical if an organisation also supports the principles of subsidiarity and the principle of collective action as these two principles pursued to extremes can become polar opposites. It is only through this principle of interdependence that the principle of subsidiarity and the principle of collective action can be successfully balanced and actually achieved.

Principle of 'Arms Length' Quality Assurance

This principle highlights one of our 'mutuality responsibilities'.

It reminds people and bodies with governance oversight responsibilities to be 'arms length' and objective in relation to the service they are overseeing. It reminds them they need to be properly assured that the service is operating appropriately and that this assurance task is a solemn governance responsibility.

If we are the person or body required to do the 'assuring', this principle reminds us of the good reasons and necessity for us to always act as a 'servant' manager or 'servant' governor demonstrating our stewardship to those in oversight positions above us (such as Agency Members, Owners or Owner representatives).

Principle of Performance Triggered Oversight

Said simply, this principle means that those persons, units or agencies that are performing well need less supervision and oversight than those that are not.

Typically key performance indicators (KPIs) or 'zones of tolerance' are agreed between the parties involved, along with triggers for supervisory support and/or intervention. The KPIs/Zones are monitored. Over time those units or services that consistently achieve all, or the majority of, their KPIs/Tolerances are given more scope for self governance and a less restrictive quality assurance reporting regime. Obviously those units or services that consistently struggle in achieving the agreed KPIs/Zones require more support and supervision by the overseeing body.

(Existing) LCA Principles of Dialogue

1. Communion: Because God has gathered us in communion with one another, there is freedom to dialogue with one another on potentially contested matters

2. Trust: Because God has made us brothers and sisters in Christ, we can trust God to use our communion to build us up in love and overcome any mistrust that may affect our capacity to dialogue openly with each other
3. Listening: As we listen we will grow in understanding of ourselves, of other people and the opinions they hold, and of God's will
4. Speaking: As we speak we will grow in understanding of ourselves, of other people and the opinions they hold, and of God's will
5. Patience: We can be patient in listening and speaking with each other, trusting that God will deepen the unity he has already given us.

Appendix 5: LCA Governance Standards for Lutheran Aged and Community Services

The information in this Appendix was endorsed at the October 2017 national conference. (It is acknowledged other 'standards' could also be included in the final document such as the minimum standards outlined in the LCA Governance Framework and LCA Strategic Directions – as well as those from peak governance bodies).

Current LCA Governance Vision

Lutheran Aged and Community Services are at all levels well governed, run with effective structures and processes, financially sustainable, professional and accountable (taken from LCA Strategic priority 3, LCA Strategic Direction p16).

Agreed Governance Standards

1. Constitutions are clear about the purpose and scope of the service, are up to date and compliant with ACNC requirements
2. A Lutheran ethos is assured within the governing body and in the service, by the service utilising all the LCA endorsed theological resources for this sector and by the governing body having regular access to an accredited Lutheran spiritual advisor
3. The service operates in a way that meets or exceeds all registration and regulatory requirements placed on it such that it can be assessed independently as a 'quality service'
4. For those services for which the church is not the sole Owner⁸, there is an adequate number of non-Director Owners so as to enable Owners to exercise due control over the governing body as and when required
5. The Governing Body meets or exceeds ACNC Owner accountability requirements
6. Owners of these organisations are regularly provided with guidance/training on their responsibilities by the organisation so as to increase the likelihood that all Owner decisions are good decisions
7. Members of governing bodies are primarily recruited based on their demonstrated skills in governance and are recruited in a rigorous and transparent way – ideally by a nominations committee following completion of a 'skills matrix' assessment by the governing body

⁸ Wherever 'Owner' is used in this Appendix it also means 'Member/s' of the service – that is, persons entitled to vote at the AGM of the service.

8. Taking modern governance principles and practices into account, 10 years is encouraged to be the typical maximum term for an individual serving on a Lutheran aged and community service governing body. (This standard does not necessarily apply to Committees of Service or other advisory groups)
9. A discussion about the duties and responsibilities of members of governing bodies is conducted and minuted by the governing body at least annually
10. All members of governing bodies undertake regular governance training, at the very least compliant with any regulatory requirements, to ensure they remain up to date in regard to modern governance principles and practices
11. Governing Bodies work to a formal and documented 'work plan' to ensure that all areas of governance oversight are adequately addressed by the governing body over a reasonable period of time (e.g. annually)
12. The Governing Body ensures that there are adequate governance, strategic and 'lead' policies/by-laws⁹ for the organisation and that these policies are documented and being implemented
13. The Governing Body ensures that any 'cutting edge' and/or controversial policy areas are addressed in a way that gives clear guidance to the managers and/or operators of the service
14. The Governing Body ensures there is an adequate strategic plan in place
15. The Governing Body is active in overseeing compliance
16. The Governing Body ensures there are adequate risk management systems in place for the service and is active in monitoring risk, including reputational and financial risk
17. The Governing Body ensures there is a 'continual learning' and 'seek help early' culture in both the governing body and the service
18. The Governing Body ensures there is a quality induction process for new chief executives and that any person reporting to the governing body is adequately supported and supervised utilising modern human resource practices (such as regular performance feedback sessions)
19. Services collaborate with other Lutheran services (e.g. educational services) where possible
20. Services optimise opportunities to connect with Lutheran congregations
21. Services actively participate in the wider network and fellowship of the Lutheran Aged and Community Services sector

⁹ Lead policies are non-governance policies set by a governing body that apply to the whole of the organisation. They are usually strategic or high level operational policies that the chief executive converts into daily policies for observance by all staff and volunteers. An example is a governing body may make a statement on the 'sanctity of life' which the chief executive would use as the basis for the organisation's approach when working with a terminally ill client.

22. The Governing Body arranges on a regular basis to have its performance as a governing body independently assessed and the governing body subsequently acts to improve its performance
23. The Governing Body actively participates in the LCA aged and community services governance QA system including providing agreed data to LCA annually and participating in annual 'peer-based' governance conversations
24. The Governing Body ensures all of its members and all executives within the organisation are aware of the Quality Services Agreement the organisation/service has with LCA including the LCA Emergency Intervention protocol.

Appendix 6: Mutual Quality Services Agreement

Preamble

A Quality Services Agreement (QSA) is a legally enforceable agreement between each Lutheran aged and community organisation/service and the LCA. The purpose of the Quality Services Agreement is to succinctly outline the rights and responsibilities of the signatories to the agreement.

The QSA will typically be between two or three parties. (For the purposes of this Appendix a three party template is described).

The QSA template will be co-designed by the LCA and its aged and community services sector.

Inclusions in a typical 3-part QSA format

1. The Lutheran aged and community services organisation agrees to:
 - 1.1. Meet or exceed agreed standards to maintain a Lutheran Ethos within their services;
 - 1.2. Meet or exceed agreed LCA standards of governance and management of their service;
 - 1.3. Abide by any LCA branding policy for Lutheran aged and community services;
 - 1.4. Provide an agreed annual data set to LCA¹⁰ as agreed from time to time that includes a copy of their Annual Report, detailed Annual Financial Report, information on governing body member qualifications and experience, a copy of the governing body's annual work plan and the results of their last Governance Assessment appraisal; and

¹⁰ LCA here means LCA National Office based on agreements made at the October 2017 Conference. In theory however the point of this process is for a governing body to provide assurance to either an arms-length peer-based assessing group or to a higher level body within the church that it is overseeing a quality service with quality governance processes in place. In theory this could mean a congregational based governing body would forward the information required in point 1.4 above to their District Office and have a meeting with relevant personnel from that District. If however the service was a District wide service with the governance responsibility for that service being located with a District then that District would forward the information required in point 1.4 to LCA National and have a meeting with relevant personnel from the National Office. If the service was completely independent of the Church legally, the governing body of that service could choose to provide the information required in point 1.4 to either an LCA District Office or to the LCA National Office as agreed in their Quality Services Agreement.

- 1.5. Participate in an annual governance 'Quality Assurance' peer-based discussion co-ordinated by LCA national office (or other mechanism as agreed from time to time¹¹) in regards to the above undertakings.
2. The LCA body with governance 'Quality Assurance' responsibilities for this Lutheran aged and community service agrees to:
 - 2.1. Live out the Lutheran ethos in their liaison with services in accordance with the LCA Principles of Dialogue;
 - 2.2. Meet or exceed agreed LCA standards of governance and management of their own body;
 - 2.3. Take an active interest in the organisation/service for which they have governance 'Quality Assurance' responsibilities; and
 - 2.4. Arrange annually with these services to conduct the annual governance 'Quality Assurance' discussion.
3. LCA National, in liaison with Lutheran aged and community services create structures and/or processes whereby:
 - 3.1. Services can meet at least biennially to discuss matters relevant to service delivery and governance;
 - 3.2. Advocacy and lobbying can occur at the national level in a co-ordinated way with advocates able to speak out with 'one voice';
 - 3.3. Information critical to the sector can be disseminated to all services;
 - 3.4. Small Lutheran aged and community services are better supported by their larger Lutheran service peers or the Church.

¹¹ Instead of holding a discussion with a few qualified peers as currently proposed, other groups that could theoretically perform this function would be a committee at national level; or the creation of a Lutheran Aged and Community Services Association (LACSA); or this function could be outsourced to one or more of the large Lutheran service providers.

Appendix 7: Selection Criteria for members of aged and community services governing bodies

Preamble

The selection of suitably qualified persons to be members of a governing body of an aged and community is a very important process in contributing to quality governance within the organisation.

Ideal Policy

The prime selection criteria for membership of a governing body of a Lutheran aged and community service is:

1. a strong commitment to the purpose and vision of the organisation
2. ability to govern within the Lutheran Christian values of the organisation and
3. demonstrated skills in governance that will add value to the skill sets of existing Directors, assisting the governing body achieve a full complement of the skill sets required on a governing body in Australia.

(Ideally the governing body will complete a comprehensive 'skills matrix' of 'existing' versus 'needed' skills before embarking on the recruitment of any additional member for the governing body. Ideally persons recruited will be practising Lutherans¹² but given the expectations of good governance by both society and regulators, this must in this modern era remain a secondary criteria. Certainly if there are insufficient numbers of practicing Lutherans to make up a competent governing body questions must be asked about the validity of maintaining such a separate governing body).

Fall-back Transition Policy

For the immediate future as a transition measure, the policy could be that a minimum of 60% of governing body members, including the Chair, be practicing Lutherans who are committed to the organisation and either skilled in governance or prepared to promptly undertake governance skills training. The remainder, if necessary, being chosen primarily on the basis they are a practicing Christian with clear governance skills and they are prepared to actively work within and support the Lutheran Christian values of the organisation.

¹² As acknowledged in Report 2, more work needs to be undertaken to clearly define 'practicing Lutheran'.

Appendix 8: LCA Quality Induction Process for New Members of Governing Bodies¹³

An indication of good governance in a church not-for-profit board is reflected in the on-boarding/induction process of new members of governing bodies. If done well, induction sets the tone of governance that is expected and makes it clear to a new director what is required.

The best governing bodies provide new directors a type of "Directors Handbook", either in hard cover in a binder or in an electronic library where all of the documents are accessible. (Note, some members of governing bodies prefer the hard copy binder because they can place it on a shelf as a resource and access it when needed).

Such a handbook would include:

Purpose of the organisation, its ethos and key powers of the governing body:

- The organisation's Constitution/Registering Instruments
- Listing/Summary of any By Laws
- Copy of the LCA endorsed Lutheran Ethos suite of documents for Lutheran aged and community services

Key Strategic Documents:

- The organisation's Strategic Plan
- Any Long Term Finance Plans
- Any Property Development Plans

Key Governance Documents:

- Summary sheet or chart about how the organisation interfaces with the church and other LCA organisations
- List and Summary of Board Committees
- Listing/Summary of Governing Body policies (including conflict of interest policy, Deed of Indemnity if appropriate, etc)
- Board Minutes for the last 12 months

Key Operational Documents:

- Most recent Annual Report
- CE's current Annual Operational/Business Plan

¹³ The Reviewers thank Nancy Fox for her assistance in developing this Appendix.

- A current set of financial accounts and the contact information for the organisation's auditor
- Index of all operational policies of the organisation (or link to them)
- Copies of key operational policies of the service which are pertinent to the work of the governing body (e.g. care for the dying, anti-discrimination, privacy, confidentiality, whistleblower policies, etc.)

Administrative Helps:

- The list of governing body members showing their key skill areas, contact details, committee membership and tenure.
- A more detailed Board 'skills matrix' if the governing body maintains one
- An organisation chart for the service.

One could also consider that as part of the induction process, CEOs and Board members are installed into their roles during a church service.

Appendix 9: LCA Continuing Governance Education Benchmark Document

This is a draft policy relating to the continuing education of members of Lutheran aged and community services governing bodies.

Draft Policy

Importance of Ongoing Professional Development

All members of the governing body recognise the importance of undertaking regular governance training to ensure they remain up to date in regard to modern governance principles and practices.

Annual 'Continuing Education' Plan

Annually the governing body discusses and agrees on what continuing education each member of the governing body should achieve over the next twelve months.

These agreements are minuted.

Options for such continuing education (based on the skill levels and needs of individual members) could include (in preference order):

1. Attendance at a governance skills course (such as offered by the Governance Institute of Australia or the Australian Institute of Company Directors)
2. Governing Body organised speaker
3. Attendance at a relevant Governance conference
4. Governance discussion at Board meeting
5. Governance discussion at relevant external meeting
6. Private readings.

Appendix 10: Elements for an Owners Resource Kit

Purpose

To have a small kit available for the 'owners/stakeholders/Members' of Lutheran Aged and Community Services to assist these 'owners' to best carry out their duties and enhance their skills in 'ownership governance'.

Rationale

If 'owners' know how to be effective 'owners', this provides some assurance to the wider church, other Lutheran Aged and Community Services, government regulators, funders and the wider community that their service has a good chance of being governed well

Conceptual Framework for this Kit

This approach is founded on the view that service users and clients can best get their needs met if competent staff and volunteers are recruited to work with them. Competent, staff and volunteers are more likely to be in place if the managers and supervisors of the service are also competent. Likewise you are more likely to have competent managers and supervisors if the governors of a service are competent governors. In the same vein, you are more likely to have a skilled competent board of governors if the owners are competent in selecting and overseeing the governors.

This concept can be diagrammatically represented as follows:

Competent Owners ➤ Competent Governors ➤ Competent Executives ➤ Competent Managers/Supervisors ➤ Competent Staff and Volunteers ➤ leading to Client/Service User needs being met.

Outline of an 'Owners Resource Kit'

1. Introduction
 - a. Purpose
 - b. Rationale
 - c. Conceptual Framework
2. Understanding aged and community services (top 7 things)
3. Understanding Governance (top 7 things)
4. Understanding Management (top 7 things)
5. Understanding Service Delivery (top 7 things)
6. Roles and Duties of 'Owners'
 - a. Purpose of having 'owners'
 - b. Moral responsibilities

- c. Legal responsibilities
- 7. Things to consider:
 - a. To ensure a Lutheran ethos within the service
 - b. To ensure a competent Board
 - c. When considering a Constitution
 - d. When appointing members to a governing body
 - e. When receiving an annual report
 - f. When calling a special meeting of 'owners'
- 8. Questions to ask at an Annual General Meeting:
 - a. Questions concerning the previous year
 - b. Questions concerning the coming year
 - c. Strategic service delivery questions
 - d. Strategic finance questions
 - e. Governance questions (e.g. Professional development program, succession plans etc).
- 9. Where to go to get more info.

Appendix 11: Emergency Intervention Protocol by LCA

Context for this Policy

The Lutheran Church of Australia wishes to see a thriving and growing ministry to human need through the many aged care and community services associated with the LCA. It also hopes this sector will operate independent from church intervention because of the calibre of the people involved in the governance and management of these services and because of the quality and effective governance and management processes in place within each of these services. That is, the LCA sees intervention by itself into the governance or management of these services as an action of 'last resort'.

Purpose of this Policy

This policy is to enable the LCA to fulfil its support and supervisory responsibilities in regard to aged and community services associated with the LCA and to provide assurance to the many Lutheran aged and community services that the church has the interest of the sector as a whole at heart.

Basis of this Policy

Each organisation will have embedded in its registering document/constitution the agreed clause granting the LCA right of emergency intervention.

Triggers for implementation of this policy by LCA

- The governing body or its senior manager requests the LCA to intervene
- There is evidence that ACNC Standards are being breached or the ACNC or other regulatory or accrediting body indicates it is about to intervene
- The ACNC or other regulatory or accrediting body places sanctions or other serious notices and/or restrictions onto a service
- There is evidence of a breach of the LCA Standards for Governance in aged and community services (for example, evidence of impropriety, evidence of insolvency, evidence of loans failure, evidence of very poor service delivery, controversial death, personnel scandal, serious cultural issues such as mismanagement or secularisation of service)
- LCA receives complaints (e.g. by a 'whistleblower') about the service that it assesses as credible and serious enough for intervention (i.e. serious breach of the LCA Standards for Governance in aged and community services).

Principles that will Guide Intervention by LCA

- Principle of Fairness and Due Process
- LCA Principles of Dialogue
- Principle of Subsidiarity
- Principle of Collective Action
- Principle of Mutuality of Governance Rights and Responsibilities

- Principle of ‘Arms Length’ Quality Assurance
- Principle of Performance Triggered Oversight.

Framework for Intervention by LCA

Except for emergency or criminal matters:

- The LCA will liaise with the relevant governing body in the first instance about the intervention issue and offer support
- A hierarchy of support options will be offered by the LCA before it considers any ‘forced’ intervention options. Such a hierarchy of requested support could include:
 1. Clarifying if the issue is valid
 2. If the issue is proved invalid assisting the service in its communications and public relations about the issue
 3. Informally facilitating discussions to resolve the issue
 4. Organising coaching/mentoring support as requested
 5. Brokering appropriate supports for the organisation so it can overcome the issue
 6. Formally mediating discussions to resolve issue
 7. Appointing an observer/mentor to the governing body
 8. Appointing an observer/mentor to the service manager
 9. Overseeing the review of policies
 10. Overseeing the review of a specific course of action
 11. Conducting a formal review of the issue
 12. Arbitrating discussions to resolve the issue.
- A hierarchy of ‘forced intervention’ options will be identified from the least intrusive to most intrusive and this hierarchy will be followed except in exceptional circumstances. Such a hierarchy would include all of the above listed interventions and typically only then followed by:
 1. Terminating the services of one or more members of the governing body (including the Chair if necessary)
 2. Terminating the services of all members of the governing body and putting a short term replacement mechanism in place (e.g. an Administrator).

In criminal matters the issue will be referred to police on the advice of LCA lawyers and any other actions by LCA will be consistent with the following.

In other emergency or exceptional circumstances it may not be possible to follow the intervention hierarchy outlined above. Decisions in these circumstances will be guided by (in order):

- Relevant law
- The needs of Service Users
- The good name of Lutheran Aged Care and Community Services sector
- The good name of the Lutheran Church of Australia.