

# 4 Governance

Governance is about being accountable and having effective structures and processes within your partnership, committee or organisation, for effective and responsible leadership. It also safeguards workers and ensures there are best practice procedures in place for things like human resource management.

## Company structures

**Sole Trader** – you basically operate your business yourself, meaning you are solely responsible for the liabilities and legalities. You can appoint contractors who have expertise in areas such as bookkeeping or marketing and can help you in your business operations, or you can learn the skills to do these things yourself.

**Partnership** – where two or more people work in a business, sharing all the responsibilities, including risks, profits and losses. This type of structure is set up and maintained by a legally binding partnership contract.

**Associated Incorporation** – is a registered legal entity with a constitution and members – all profits are returned to the purposes of the association. Incorporation gives an association or community groups certain legal advantages in return for accepting certain legal responsibilities. An incorporation's legal structure is separate from its members and offers some protection from potential liabilities providing the association doesn't make a profit for its members.

**Company** – is set up as a legal entity with a Director or Chief Executive Officer. It can have shareholders and be governed by an additional board of directors. A company can also have employees and is legally responsible for the terms and conditions of its employees.

**Trust** – set up as a legal entity with a nominated Trustee responsible for the business operations on behalf of beneficiaries.

## Why or why not incorporate?

Incorporations are beneficial because they:

- Are low cost to incorporate
- Have few formalities in terms of legislative compliance
- Provide a professional structure for larger organisations
- Create a structure which is more capable of fundraising and receiving grants
- Separate legal identity from members. Liability is limited to the corporation's assets, not the director's or member's

Small community groups can operate effectively for many years without the need to incorporate. The decision to incorporate will usually be made when the organisation outgrows its informal group structure. Some groups decide not to incorporate and keep operations less formal.

If you do choose to incorporate your group will need to develop a constitution. Your constitution holds the key to all of your guiding principles and includes; how to operate, how to comply and what to do when things aren't going according to plan. Constitutions can be fairly standard. See [www.ourcommunity.com.au](http://www.ourcommunity.com.au) for information on developing a constitution. You can customise your constitution to reflect the type of organisation being established. The rest can be updated annually at the AGM when you are more familiar with what you are doing. A constitution is flexible – it should be an evolving document that changes and expands as your organisation does.

## Financial Management

Whatever structure you choose, it's essential for your business to be solvent, that is, capable of meeting all financial obligations. This means ensuring you are always making decisions in full knowledge of the accounts and how much money there is allocated to spend. The type of structure you choose will determine the degree of financial liability you have should your business or project experience loss.

## Committee

If you're setting up a committee or management board for your project, you need to consider:

- legislation and guidelines, a combination of law and regulation and practices, consult local councils
- efficient performance of your committee if you have performance measures you are required to meet
- how you will organise your policies, business processes and decision making processes
- clear roles for committee members.

Look for a good mix of skills in your board members. Directors' professional backgrounds should reflect the needs of the organisation.

Your committee should create a business plan that will include a mission statement or vision, and strategic and operational plans to articulate where you want to go and how you plan to get there. It can also give your group a foundation for measuring performance, both for committee members and/or business planning.

Be sure to:

- train your committee in the skills they need to operate efficiently
- tailor your reports so that your board and stakeholders can understand them
- understand financial reports, it's the responsibility of all committee members, not just the Treasurer
- induct so that every member understands their position and obligations
- distribute clear, precise information
- develop succession planning in case one of your board members leaves, you are covered to continue operations with limited disruption
- use resources to streamline processes.



## When do you know your committee is going well?

- When projects or events are being completed successfully
- When deadlines are being met
- When communication is open
- When work loads are shared and distributed evenly and equally
- When everyone has the opportunity to make a contribution

## When do you know your committee needs improving?

- Some of the above are not happening
- One or two people are doing all the tasks
- Resistance and inability to adapt to change 'I've been doing it this way for years'
- You're in financial trouble
- There are personality issues

## What can you do to improve your committee?

- Bring in professional help, for example, mediation services or committee training (Arts Nexus provides these services, contact us to discuss your needs)
- Contact other community organisations who are doing well who might be able to give you ideas
- Visit some of the useful links provided
- Manage group dynamics – the skill of ensuring people feel involved, informed and engaged is a unique set of interpersonal skills that can be learned but generally takes a specific type of person to do naturally. Arts Nexus can facilitate training on group dynamics to help improve your committee.
- See Board Connect <http://www.boardconnect.com.au/>

## Meeting structures are important

They help your committee make decisions, carry out its business, make progress and achieve objectives.

**Agenda** – is a list of items that the committee intends to discuss at the meeting. The agenda is usually prepared by the secretary or committee administrator and circulated to all the committee members prior to the meeting so all members have time to prepare responses.

**Quorum** – is the minimum number of board members required for your committee to legally conduct its business. If you do not meet quorum your meeting needs to be rescheduled until you have correct numbers. Your committee sets out the number of people required to attend meetings.

**Minutes and records** – it's imperative to officially record your committee meetings in writing. These records are called 'minutes' and usually contain the date, time and venue of the meeting, who is present, the items discussed on the agenda and an outcome for each item, for example, who voted for and against motions and if motions were approved by the committee. Minutes are vital for checking previous decisions and actions of the board.

**Manage/Chair a meeting** – meetings need to be managed by a Chair. This person opens and closes the meeting, keeps the meeting discussion to the items on the agenda, puts motions to the committee for a decision or vote, and keeps the meeting on time. The Chair will also ensure that every member has the chance to make a contribution and that every member is heard.

**Voting** – being a committee member entitles you to vote on motions raised in your meetings. A motion is carried, or approved to take effect, if the number of members who voted yes, outweigh the number of members who voted against.

**AGM** – an Annual General Meeting has 3 main functions: to elect your committee members for the coming year, to disclose the organisation's financial situation and consolidate the organisation's purpose and direction. Its also an opportunity to review your annual activities and connect with your members.

## Links and resources

- AbaF (Australian Business Arts Foundation) [www.abaf.org.au/](http://www.abaf.org.au/)
- ArtsYakka [www.artsyakka.com/](http://www.artsyakka.com/)
- ASIC (Australian Securities and Investments Commission) [www.asic.gov.au/asic/asic.nsf](http://www.asic.gov.au/asic/asic.nsf)
- ASX (Australian Securities Exchange) [www.asx.com.au](http://www.asx.com.au) – The Corporate Governance Council on this site has produced information guidelines for listed entities, assisting community groups to increase their understanding about their obligations regarding corporate governance.
- BoardConnect [www.boardconnect.com.au/](http://www.boardconnect.com.au/)
- Board Matters [www.governance.com.au/boardmatters/index.aspx](http://www.governance.com.au/boardmatters/index.aspx) – Board Matters assists board members and executive managers in the governance of non-profit organisations. Some articles from previous Newsletters are available for free download from this web site.
- Business Advisory Services [www.business.gov.au](http://www.business.gov.au)
- Department of Employment, Economic Development and Innovation [www.deedi.qld.gov.au](http://www.deedi.qld.gov.au)
- Our Community [www.ourcommunity.com.au](http://www.ourcommunity.com.au)
- Queensland Government [www.business.qld.gov.au](http://www.business.qld.gov.au) – Provides valuable fact sheets on business structures

## Checklist

- Have you decided which business structure best suits you?
- Do you have an effective constitution and business plan?
- Have you got the right people on your committee?
- Does your committee have clearly established roles?
- Is your committee functioning effectively?
- If your committee needs improving do you know what to do to get the help you need?

References [www.ourcommunity.com.au](http://www.ourcommunity.com.au)

Disclaimer: this information is correct at time of printing August 2009. Details are subject to change.



## Telephone Advisory Service

Got a creative idea? Looking for help to grow it? Arts Nexus can assist you to develop your creative ideas into real ventures, find funding, write grants and manage your project. Contact us today on 07 4051 4433 or [admin@artsnexus.com.au](mailto:admin@artsnexus.com.au)

Arts Nexus Inc 18/78 City Arcade, Grafton Street Cairns PO Box 4995 Cairns Qld Australia 4870  
Tel 07 4051 4433 Fax 07 4051 4244 [info@artsnexus.com.au](mailto:info@artsnexus.com.au) [www.artsnexus.com.au](http://www.artsnexus.com.au)