

# ACTdirector

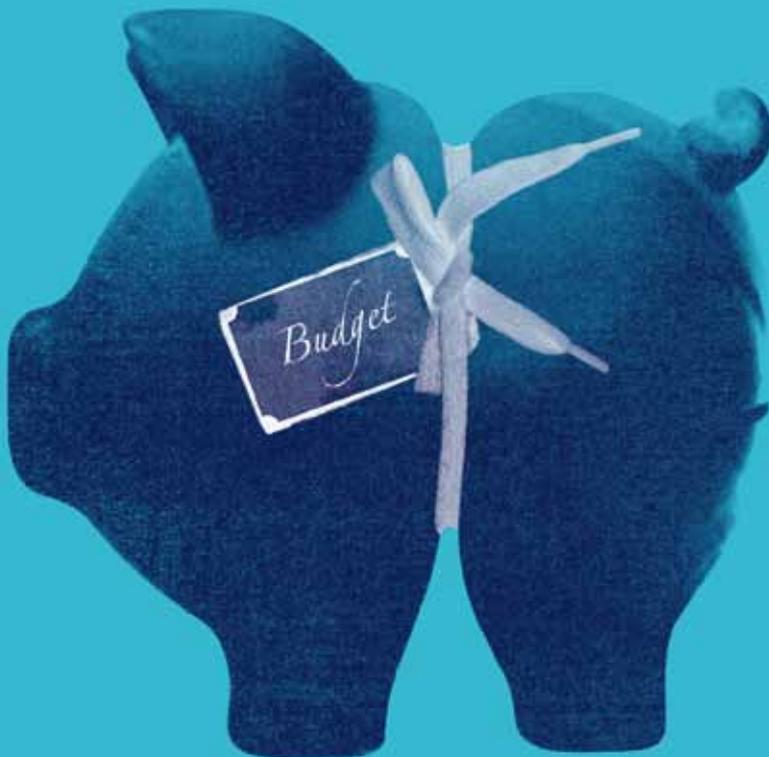
Issue 1 : May 2010

## New challenges for not-for-profit boards

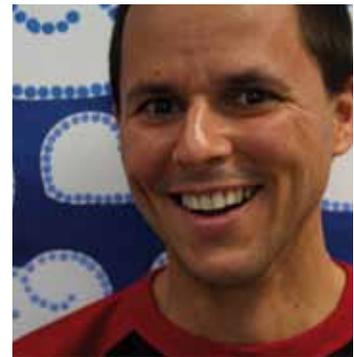
Mike Zissler, CEO of Lifeline Canberra, knows only too well that operating on a shoestring is a way of life for most not for profit charities and organisations.

Faced with a never-ending struggle to meet ever-increasing demands on their usually stretched resources, there is no more sensitive issue for them than the tax structure that underpins their operations.

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## Member profile



### Gregory Andrews

Indigenous Community Volunteers (ICV) is an organisation in the middle of rapid organisational change on several fronts at once. This has required major adjustments by the organisation, to its governance arrangements and by its management and board.

ICV has transformed itself from a skills transfer to community development organisation, modelled in many respects on community development organisations operating in the overseas aid sector – which is the background of its Chief Executive for the last two years, Gregory Andrews.

Rather than providing mentoring and training, ICV now provides a wider range of community development support, from paediatric cardiology to women's sewing skills.

The number of volunteer assignments – which broadly corresponds to the number of projects in which ICV is involved – has increased from 161 in 2007-08; to 440 on 2008-09; and to 700 so far this financial year. The number is expected to reach 1100 by the end of the year.

The 440 projects in 2008-09 had a direct impact on 25,000 lives according to ICV research, Gregory Andrews says. Projects range from a single day to one year – average length of a project is nine weeks.

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## President's foreword

### Directors contribution to not-for-profit sector



**Brand Hoff FAICD**  
**ACT Division President**

This edition of ACT Director is focusing on some of the challenges that surround the not-for-profit sector and in particular the governance of these organisations.

However the importance of the not-for-profit (NFP) Sector is not widely understood. While NFP's (sometimes referred to as the Third Sector) contributes approximately \$50 billion to Australia's GDP and employs 8 per cent of the workforce, the volunteering that goes in to the sector is often unrecognised.

The Australian Institute of Company Directors recently conducted a study into the contribution that directors make to the NFP sector, looking at who they are, what inspires them to get involved in NFPs, the amount of time they give up each month and what their roles entail. The study also looks at the size of NFPs in terms of turnover and the number of staff they employ.

Company directors make a significant contribution to the NFP sector through their deep involvement in charities, community service and other organisations. They make up a critical part of the volunteer network of 4.6 million people, which NFPs rely so heavily on due to limited funding. They also give up their time, most often, voluntarily to bring a wide range of skills to various functions of the NFPs they govern, including oversight, management and fundraising.

The study showed that three in every five directors serve on an NFP board, often in addition to demanding for-profit board roles. The typical NFP non-executive director had two NFP board appointments, involving between six and 20 hours work a month – equivalent to around six weeks work a year and almost double the contribution of the average volunteer in Australia.

The study also found that the vast majority of NFP directors (73 per cent) do this work on an entirely voluntary basis.

Directors are involved in a wide range of organisations, with the biggest being community services (31 per cent), and health (28 per cent) and education services (25 per cent). These organisations are often large and have a major influence on Australian society, with the average director's main NFP having between 21 to 100 staff and 50 volunteers and turning over between \$5 million and \$20 million.

It is hoped that the research will assist us and the wider community by providing a means of tracking the proportion of directors who are involved in the NFP sector, the types of organisations to which they contribute, the skills they provide and the amount of time they contribute.

The study will also support the work that we are undertaking with regards to reform in the sector. We are concerned that in order to remain effective and attract the best directors, these organisations should not be burdened by unnecessary laws and regulations. It is important to keep in mind that without these organisations Australia would be a very different place.

For a full copy of the report contact the ACT Division on 02 6248 5954.

## Message from the State Manager

### Innovation in the public sector



**Phil Butler GAICD**  
**ACT Manager**

At the conclusion of the 2009 Australian Institute of Company Directors Public Sector Governance Conference, an Insights Paper was produced by the Institute which investigated how to encourage innovation in the public sector.

More recently, the Blueprint for the Reform of Australian Government Administration Report focused on a range of areas to "improve the systems, structure and processes that influence outcomes for citizens". To achieve this there needs to be "an emphasis on leadership to drive change from the top," it said.

There are some interesting similarities between the themes of the Blueprint and those of the Insights Paper.

Specifically, the Insights Paper referred to the fact that "innovation is particularly useful to the public sector in the context of supporting output-based leadership.

"Return on innovation investment is likely to be expressed beyond cost-savings to support key outcomes such as faster service provision, improved transparency or increased user satisfaction". As the No 1 Reform of the Blueprint is the delivery of better services for citizens, the need for innovation has never been greater.

One of the challenges which can hinder true innovation is the risk avoidance culture of government. This is not easily overcome, but according to Elizabeth Proust in the Insights Paper, "Public Service CEOs must engage the Ministers and their auditor with major change initiatives" and further that "Politicians, policy makers and public managers should clearly communicate that there is and must be risks involved in innovation processes and that there is a difference between mismanagement and the will to take sensible risks".

The Insights paper concluded that it was up to the leaders of organisations to be the champions of innovation "taking a controlled, proactive and systematic approach to harnessing new ideas"

The Australian Institute of Company Directors will continue to publish informative articles on public sector governance issues and will again be staging the Public Sector Governance Conference on 13 October 2010.

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## Key issues

### New challenges for not-for-profit boards

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Mr Zissler and the NFP sector are worried because of suggestions that the Henry Review on Australia's future tax system will recommend replacing the current Fringe Benefits Tax (FBT) concessions available to NFPs with government grants.

The Productivity Commission examined the issue in a report on the NFP sector earlier this year, concluding that the FBT concession available to the sector distorts the way labour and other inputs are used by NFPs, leading to economic inefficiencies. However, the PC did not recommend that the concession be removed.

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**I hope we can still have passionate people coming on to boards – people who are committed to the causes community organisations are working for.**  
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Removing the FBT concession would add one more uncertainty to the challenges that Mr Zissler and his Board at Lifeline Canberra must deal with. The concession is crucial to NFPs in reducing the disparity in the salary and conditions they can offer compared to the public service and for-profit companies.

#### **FBT threat**

Speaking to Capital Director before the Henry report was released, Mr Zissler said: "While most NFPs will say that the FBT concession is not ideal,

it does make a significant difference to how we employ people. To discard it willy-nilly or irrevocably may cause more grief than benefit."

Mr Zissler said he believed the role of NFP boards, including his, was to challenge everything that a CEO presented. "I go to my Board meetings with reports and statements and I hope they all get challenged in a very positive way," he said. "Of course I like them all to be accepted and move on, but I want a board that challenges what management puts before them because if you don't have that inquiring, challenging role it does lead

to poor financial practise and behaviour."

#### **Increased awareness**

Roslyn Dundas, Director of the ACT Council of Social Service, said directors had a responsibility to monitor the compliance of their organisation with its legal obligations.

"Some of those legal obligations are changing so the directors do have responsibility to be across what the changes might be and to satisfy themselves that

their organisation is meeting these requirements," she said.

"We're now more aware of our responsibilities as volunteer directors and there is greater expectation that not-for-profits will meet their governance requirements in a professional manner.

"I hope we can still have passionate people coming on to boards – people who are committed to the causes community organisations are working for. But these individuals will bring their expertise and be willing to ensure they are across all the issues whatever they may be."

Having done the Australian Institute of Company Directors Course, Ms Dundas said: "We shouldn't expect anything less from not-for-profits than from for-profits in terms of their governance and the commitment from directors."

She said that in some ways the community sector and not-for-profits were significantly more accountable than private counterparts because of funding relationships with government and community expectations.

"What the Productivity Commission report clearly shows is that we need to find a way to streamline that and to allow not-for-profits to get on with the work that they do and not be continually bogged down in red tape," she said.

#### **Arts needs business skills**

Bea Brickhill, ACT Director, Australia Business Arts Foundation, said the biggest difference with a not-for-profit board lay in the fact

that rather than its bottom line being financial, it was in meeting the mission for which it was established.

"So right from the start the focus is different," she said. "For example, it is about creating an arts company, doing performance, having a museum; it is not about making profit. So immediately it requires a different set of governance structures because the requirements of a board of a not-for-profit are the same as the legal requirements for any other board in any for-profit organisation, however board members are not always aware of this."

Ms Brickhill said that sometimes people who had wonderful business skills went onto an arts board "and the minute they get on the board they forget their business skills because they are passionate about the art form."

She said AbaF was encouraging change around Australia in the way that arts Boards worked under a policy of "Board matching" through its BoardBank program.

"We get the arts organisation to think about what skills they need on the board and then we match them, we find someone in the business world who has got those skills," she said. "So they are not just calling on people they know, they are going out into the wider community. There are a lot of people who would like to be on not-for-profit boards, but they would like to go on knowing what their role is and what skills are required."

## Twilight Networking Event

### National Zoo and Aquarium – 15 February 2010

The Australian Institute of Company Directors held another very successful Twilight Networking Event in February at the National Zoo and Aquarium.

150 members of the Australian Institute of Company Directors and their guests gathered in the Aquarium, surrounded by some of the world's brightest and most colourful fish. The event provided a great opportunity for the region's business, government and association leaders and executives to build on and develop relationships.

Delegates enjoyed a glass of wine or two courtesy of the Kamberra Wine Company, whilst congratulating the 16 graduates of the recent Company Director Course.

We would be delighted if you joined us at our next Twilight Networking Event on Monday 21 June, at the De Vine Function Centre (Kamberra Wine Company), commencing at 5:15pm. You should receive an invitation in the post shortly.

For more information please contact us on 02 6248 5954 or visit <http://www.companydirectors.com.au/Events>



The Australian Institute of Company Directors Chair Brand Hoff (centre) with recent Company Directors Course graduates.



**From left to right:** Alan Roach GAICD, from the Department. of Defence, Hena Power GAICD, an AICD Councillor, Brooke Armour from the NZA and Mary Power, a guest.



**From left to right:** Dr. Peter Holdsworth FAICD, from the Animal Health Alliance, Anne Menon a consultant from McArthur, Stephen Heppenstall of Ord Minnett and Angela Kerley a consultant from McArthur.



**From left to right:** Michael Beer from the NZA, Lester Sutton GAICD from General Dynamics Mediarware, Christine Carey MAICD from Patriot Alliance and Mark Gibson of GRA Pty. Ltd.



Members and guests at the AIC Twilight Networking Event at the National Zoo and Aquarium.

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## Member profile

Continued from page 1

ICV was established as a GONGO – Government-Organised Non-Government Organisation – by the Howard-Government in 2001. It has transformed itself into an independent charity registered by ASIC. The change in corporate status reflects a different attitude to its community development role by the Rudd Government, Mr Andrews says. Previously there was a lot of detailed government involvement in the organisation. Last year Indigenous Affairs Minister Jenny Macklin decided it was no longer necessary for the Government to be a member of the company and to have a veto over board members.

Under the ICV's constitution there are two co-chairs, one white and one black and eight directors – half of whom are white and half black. This balance is reflected through the company.

Since the Government withdrew from membership, ICV has started a major review and restructure including a review of membership of the company. ICV has become more genuinely independent.

As well, ICV is going through a major financial transformation from dependence on government funding and investment returns to raising its own funds.

In 2008-09 \$3.4 million of its \$5.2 million in revenue came from the Commonwealth and \$1.5 million from returns on its investment portfolio.

A key governance challenge has been the protection and best use of ICV's investment portfolio of about \$16 million, Gregory Andrews says.

"As part of the change and review currently underway the ICV Board has decided to implement a fund-raising strategy which will completely change ICV's financial model." To this end, the investment portfolio will be invested to develop a sustainable fund-raising capacity.

With something of an understatement he says, "ICV is now a radically different organisation "to two years ago" when he became CEO.

Governance arrangements have been strengthened. Mr Andrews, who was formerly a senior public

servant with experience in aid programs and foreign affairs says, "ICV invested in me. They sent me on the Company Directors Course."

It was "one of the best courses I have done," he says, unprompted. "It has given me a better understanding of my responsibilities and the responsibilities of the Board."

"The Company Director Course helped give us the confidence to make the changes in direction, governance and funding that we are making. We have recognised the need for the Board to be more engaged and able to respond to the more dynamic environment in which we are operating."

ICV has a developing relationship with the Australian Institute of Company Directors and is keen to take advantage of the governance skills of our members. Working with the Office for the Registrar of Aboriginal Corporations, the initiative will involve ICV volunteers working as directors and Board mentors with Indigenous corporations.

As an example of the benefits which ICV projects can bring to Aboriginal communities, Mr Andrews cites a recent project involving an Indigenous child care centre in Dubbo, which sought ICV's assistance to improve their general compliance and governance practices. ICV identified a former IBM executive willing to help. With the community, he put in place the policies and practices necessary for the centre to operate better. The exercise was so successful they then moved on to developing a strategic plan together.

These improvements enabled the childcare centre to double its capacity. A flow-on benefit to the Aboriginal community was that mothers were able to place their children in care with confidence. This freed them up to go and get jobs where they had not been able to previously because of lack of childcare.

*Members interested in supporting ICV financially or through mentoring can get more information and contact ICV through their website at [www.icv.com.au](http://www.icv.com.au)*

AUSTRALIAN INSTITUTE  
of COMPANY DIRECTORS

[companydirectors.com.au](http://companydirectors.com.au)

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## Company Directors Course

### *Information session for public sector executives*

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Are you a senior manager or director in a CAC Act body or FMA Act Agency?

If so you may be involved in the governance of your organisation. We are holding a complimentary information session to find out about our pre-eminent program covering all the important areas of directorship.

Tuesday 15 June 2010  
From 4.30pm at Federal Golf Club, Red Hill

To register t: 1300 764 633 or  
e: [lgardiner@companydirectors.com.au](mailto:lgardiner@companydirectors.com.au)

Councillor's Note



**Fran Raymond GAICD**

Fran joined the ACT and Region Council in 2006, with the desire to further promote good governance in the public sector and women's roles in senior leadership. To assist the Institute in achieving this Fran is on the Public Sector Governance Conference Committee and actively involved in developing a series of events on diversity.

Having graduated from the Company Directors Course in 2003, Fran says "this was an invaluable program which provided me with a stronger understanding of corporate governance and the roles and responsibilities of a director, vital in my current role and in the various board and committee positions I have held".

Fran is a Chartered Accountant, currently working for the National Health and Medical Research Council as Chief Finance Officer (CFO). She has a background in both government and industry sectors within Australia and overseas, including CFO of the Department of Prime Minister and Cabinet, as auditor and management consultant with KPMG and as a financial analyst for APRA and Bank of America in London.

Fran is currently on the Pegasus Riding for the Disabled Committee and has previously been on the Community CPS Australia Board, Barnardos and Children's Cancer Institute of Australia committees. Fran has extensive experience on Finance and Audit Committees and was part of the Credit Union Foundation of Australia's (CUFA) contingent to Papua New Guinea to improve governance and finance literacy skills for mutual organisations.

Fran is a keen runner and hiker and has completed several marathons, has just finished an MBA and is keen to use her skills and experience to pursue positions on government committees.

ACT and Region

**ACT Council members:**

- Brand Hoff** FAICD (President)
- Anne O'Donnell** FAICD (Vice President)
- Dale Budd** FAICD
- Terina Brierley** FAICD
- Ross Cottrill** FAICD
- Eric Leape** FAICD
- Nigel Phair** FAICD
- Hena Power** MAICD
- Fran Raymond** GAICD
- Vivienne Thom** FAICD

**ACT Division Staff:**

- Phil Butler** GAICD  
Regional Manager
- Geoff Carter**  
Events, Education and Professional Development
- Renee Heins**  
Member Relations Executive
- Leeana Gardiner**  
Education & Member Relations Assistant
- Tania Billik**  
Events and Education Administrator
- Theresa Schultz**  
Events Executive

ACT and Region Education and Events Calendar

June – December 2010

**June**

- Wednesday 2 June**  
The Not for Profit Board  
Time: 9:00am-4:30pm  
Venue: The Boathouse by the Lake
- Tuesday 8 June**  
Governance for the Public Sector  
Time: 9:00am-5:00pm  
Venue: Federal Golf Club
- 16-22 June**  
Company Directors Course  
Venue: Federal Golf Club
- Monday 21 June**  
Twilight Networking Event  
Time: 5:15pm-7:00pm  
Venue: De Vine Function Centre (Kamberra Wine Company)

**July**

- 21-27 July**  
Company Directors Course  
Venue: Federal Golf Club

**August**

- Thursday 5 August**  
Governance for New Directors  
Time: 9:00am-5:00pm  
Venue: Federal Golf Club
- Wednesday 11 August**  
The Strategic Board  
Time: 9:00am-1:00pm  
Venue: The Boathouse by the Lake
- Wednesday 18 August**  
Committees at Work  
Time: 9:00am-1:00pm  
Venue: The Boathouse by the Lake

**September**

- Thursday 9 September**  
Finance for New Directors  
Time: 9:00am-5:00pm  
Venue: Federal Golf Club
- Monday 13 September**  
Twilight Networking Event  
Time: 5:15pm-7:00pm  
Venue: Floriade
- Thursday 16 September**  
Reporting to the Board  
Time: 9:00am-1:00pm  
Venue: Federal Golf Club

- Monday 17 September**  
The Essential Director Update  
Time: 8:30am-12:00pm  
Venue: TBA

- Tuesday 21 September**  
Free CDC Information Session  
Time: 4:30pm- 5:30pm  
Venue: Federal Golf Club

- Wednesday 22 September**  
Governance for the Public Sector  
Time: 9:00am-5:00pm  
Venue: The Boathouse by the Lake

**October**

- Wednesday 13 October**  
Public Sector Governance Conference  
Venue: Hotel Realm

- 20-26 October**  
Company Directors Course  
Venue: Federal Golf Club

- Wednesday 27 October**  
Free CDC Information Session  
Time: 4:30p.-5:30pm  
Venue: Federal Golf Club

**November**

- Wednesday 10 November**  
The Board and the CEO  
Time: 9:00am-1:00pm  
Venue: The Boathouse by the Lake

**December**

- 1-7 December**  
Company Director Course  
Venue: Federal Golf Club
- Monday 6 December**  
Twilight Networking Event  
Time: 5:15pm-7:00pm  
Venue: Botanic Gardens
- Thursday 9 December**  
Governance for the Public Sector  
Time: 9:00am-5:00pm  
Venue: Federal Golf Club

For further details and registration on any of these courses or events please telephone 02 6248 5954 or visit <http://www.companydirectors.com.au/Events/ACT/>