

## Information Sheet: Not-For-Profit Requirements

# Good Governance Principles for Non-Government Schools

Non-government schools in NSW receive financial assistance (funding) from the NSW Department of Education for the benefit of students at the school. Under the *Education Act 1990 (NSW)* (Act), to receive funding, a non-government school must not operate for-profit. This means that the income and assets of the school must be used for the education of students and the operation of the school. The not-for-profit requirements are contained in s83C of the Act<sup>1</sup>.

The Non-Government Schools Not-for-Profit Advisory Committee (Advisory Committee) has identified governance as a priority area for improvement. Good governance arrangements allow proprietors to manage their affairs with suitable oversight and accountability, which is critical in making sure a school operates on a not-for-profit basis.

The Advisory Committee has established a set of guiding principles to assist schools in meeting the not-for-profit obligations.

These principles are not intended as a prescriptive list and proprietors/schools should take into account their own circumstances when developing and reviewing their governance arrangements. Proprietors should also ensure they have read and understood the [Not-for-Profit Guidelines for Non-Government Schools](#), [Advisory Committee Newsletters](#) and [Information Sheets](#) which provide specific advice on how to meet not-for-profit legal obligations.

For assistance, with implementing good governance arrangements, proprietors/schools should contact their relevant sector representative, the [NSW Association of Independent Schools](#) and [Catholic Schools NSW](#).

## Advisory Committee's Guiding Principles for Good Governance

### Principle 1: Act ethically, responsibly and in the best interest of the school

All members of a proprietor/school board (board) and school executive should behave ethically and responsibly, setting the organisational cultural and tone for the school. Board decisions should be made in the best interests of the school and its students.

### Principle 2: Compliance with the law and governing documents

Boards must be aware of and must meet the requirements of all Australian legislation that applies to non-government school governance and any other legislation applicable to the school (i.e. ACNC regulation if the school is a registered charity). Board members must also meet the requirements under the school's governing documents, such as their constitution.

### Principle 3: Board structure and suitability of board members

Boards should be of an appropriate size

<sup>1</sup> This definition differs from the not-for-profit requirement that proprietors/schools may also need to meet for example, under Australian Charities and Not-for-profit Commission (ACNC) regulation if they are registered as a charity.

and have a suitable mix of qualifications, skills and experience to effectively govern a non-government school. Board members should be of good character and must meet the fit and proper requirement as a 'responsible person' under NSW and Commonwealth legislation. Where practicable, the role of the Chair should be independent and separate from that of the role of the Principal/CEO of the school.

#### **Principle 4: Timely and full disclosures of conflicts of interest and related entity transactions**

Board members must make sure they make timely and full disclosures of all conflicts of interest and related entities. The proprietor or governing body must ensure there are policies and procedures for managing potential and actual conflicts of interest and related entities, which are properly documented and easily accessible.

#### **Principle 5: Clear processes for management and oversight**

Boards should operate on an informed basis. Appropriate processes and structures should be put in place to ensure boards are provided with timely, relevant and accurate information to guide decision making. Each board member should exercise independent judgment and have input to decisions. Board decisions should be appropriately documented. Appropriate policies and processes to guide the financial and operational management of the school (including any board functions delegated to school management) should be well documented and accessible.

#### **Principle 6: Integrity in reporting**

Boards should establish and maintain rigorous and independent reporting processes to maintain their integrity as a

governing body. All board level decisions should be accurately reported and records maintained per legal requirements.

#### **Principle 7: Assessment of board performance**

The performance of the board (including the Chair, board members and members of any subcommittees) should be regularly assessed and timely action should be taken to address any identified issues. Performance requirements should be properly documented and accessible. Board roles and appointments should be clearly documented (i.e. there should be role descriptions and letters of appointments that clearly outline board member duties and responsibilities).

#### **Principle 8: Manage risk**

Boards should have appropriate risk management and internal control systems in place. These should be reviewed on a regular basis to ensure their effectiveness.

#### **Principle 9: Responsible management of finances**

Boards must ensure all school financial affairs are managed responsibly. This includes implementing clear processes that enable appropriate financial management, reporting, and maintenance of records as per legal requirements. It is a responsibility of the board to inspect financial statements and identify any inconsistencies or concerns. Boards are also responsible for ensuring the proprietor/school does not operate while insolvent.

#### **Principle 10: Accountability to stakeholders**

Boards should always take reasonable steps to be transparent and accountable to their stakeholders. Stakeholders of non-government schools include, but

are not limited to, company members, school employees, parents, students and alumni. Boards should keep stakeholders appropriately informed of their key decisions and the school's activities. At the same time, stakeholders must be given adequate opportunities by the board to voice any concerns or questions they have in relation to how the school is being managed.

### Further information

If you require further information or would like to receive notification of newsletters and advice, please email relevant contact details (name/ position and email address) to [NGS-Compliance@det.nsw.edu.au](mailto:NGS-Compliance@det.nsw.edu.au). You may wish to share this information with board members, Diocesan representatives, senior staff, financial administrators and auditors.

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