

# Non-Government Schools Not-For-Profit Good Governance Principle 1 – Act ethically, responsibly and in the best interest of the school

Good governance arrangements ensure school proprietors and boards<sup>1</sup> manage their affairs with suitable oversight and accountability, and are critical for meeting not-for-profit (NFP) obligations under section 83C of the *Education Act 1990 (NSW)* (the Act).

To help schools develop and maintain good governance practices, the Non-Government Schools Not-for-Profit Advisory Committee has developed a set of [Guiding Principles for Good Governance](#).

**Good Governance Principle 1: Act ethically, responsibly and in the best interest of the school** states that:

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

The board is a key decision maker for the school, setting the strategic direction for the school. The school board plays a leading role in setting the ethical and organisational cultural tone of the school. Board members are expected to model a high standard of ethical conduct and practice. It is critical that careful consideration is given to whether decisions are open and transparent, whether appropriate governing policies are in place and adhered to and whether decisions that are taken are in the best interests of the school and its students.

The key elements of this principle, outlined in the following sections, are:

- Ethical and responsible behaviour.
- Making decisions that are in the best interests of the school and students.

## Ethical and responsible behaviour

There are a number of key activities board members should undertake to actively promote ethical and responsible behaviour, these include:

- Developing, understanding and implementing a code of conduct.
- Participating in regular ethics and governance training.

## Code of Conduct

This is a key policy document that clearly outlines the board's expectations for governance standards, individual board member behaviour and consequences for unacceptable behaviour. A school board code of conduct should:

- Articulate the key values of the board and school.
- Be designed for the specific circumstances of the school.
- Outline key legislation and legal

<sup>1</sup> 'Proprietors and Boards' refers to all members of the governing body of the school sometimes also referred to as 'directors'. In these documents the governing body is referred to as the 'school board' or 'board members'.

requirements for board members to make:

- o [conflict of interest disclosures](#) in a timely and full manner
- o [related entity transactions disclosures](#) in a timely and full manner.

Detailed information on these can be found in **Good Governance Principle 4: Timely and full disclosures.**

- Signal behaviours that are permitted, prohibited and the consequences for misconduct.
- Identify critical resources/people/organisations to assist in dealing with issues of unacceptable behaviour.
- Provide the board with a framework to identify and manage potential challenges it may face.

When appointed, all board members should be provided a copy of the school's code of conduct to read and requested to sign the document. These documents should be retained as part of the school's official records.

School boards should:

- Routinely undertake a review of the code of conduct (every 2-3 years).
- Promote avenues to report and welcome reports of any potential breaches of the code of conduct; these should be investigated promptly and with due diligence.
- Report behaviour that violates applicable laws to relevant authorities (for example, violations of the fit and proper requirement for responsible persons should be reported to the NSW Education and Standards Authority (NESA).

### **Ethics and Governance Training**

School board members should regularly participate in relevant governance, business management and ethics training or professional development. It is good

practice for the board to maintain a current [register of all training](#) completed by its board members and note when board members must renew their training.

As a responsible person, each board member must meet the requirements for governance training. NESA provides a list of registered training providers (see <https://rego.nesa.nsw.edu.au/governance-training> for further details).

### **Making decisions that are in the best interests of the school and its students**

School boards are expected to make decisions in the best interests of the school and its students. This is also a legal requirement under section 83C(2)(a) of the Act, which states that for a school to operate on a not-for-profit basis, all school income/assets must only be used for the operation of the school.

Factors that can help boards demonstrate accountability for decisions include:

- Aligning board decisions with the school's strategic plan.
- Carefully preparing for board meetings by reading all papers thoroughly (along with previous board papers and related policies) and making note of any questions or concerns to raise at the meeting.
- All board members actively contributing to discussions with key issues, considerations and decisions recorded in the minutes.
- Seeking out appropriate and, wherever possible, independent advice when making significant or challenging decisions.
- Providing suitable financial training to all board members so they can fully interrogate financial reports.
- All board members have a duty to ensure that the income and assets of

the school are managed responsibly. Detailed information on best practice in financial management can be found in **Good Governance Principle 9: Responsible management of finances.**

Detailed information on best practice in reporting board decisions can be found in **Good Governance Principle 6: Integrity in reporting.**

## Case studies

### Case study A – Acting in the best interest of the school

Northside School currently caters for K-6 students. The proprietor solely operates the school. The Board has a current 5-year strategic plan, which includes proposals to set up a secondary school campus. At a recent board meeting, one board member mentioned that 2 side-by-side residential properties, within walking distance of the school, would be listed by their vendors for sale on the open market.

Several board members wanted to submit offers to purchase the 2 properties.

Other board members, conscious of their legal responsibility to use the school income for the operation of the school, queried whether the properties:

- Had been, or could be, rezoned for school purposes.
- Were suitable for use/development as a secondary school.
- Were appropriate to purchase, considering the current financial position of the school.

After some discussion, the Board resolved to:

- Contact the council to discuss the process, cost, timing and likelihood of re-zoning the 2 properties for school use.
- Seek 2 independent market valuations of the sites.
- Ask an independent builder with suitable expertise for a report on the suitability of the site for a secondary school campus.
- Ask the board members if there are any conflicts of interest regarding the properties and to declare those perceived or actual conflicts.
- Commission a financial report to ensure the school has the funds to complete the project without jeopardising current educational standards in the school.

After receiving this advice, the Chair reconvened the Board to consider the next steps for the 2 properties as a potential site for a secondary campus.

The Board at Northside School acted responsibly in delaying the decision to purchase the properties until board members could be fully informed of all necessary factors.

## Case study B – Failure to practice appropriate ethical and responsible behaviour

The Cosmos College appointed a new board member to the Board. The board member was given an appointment letter that did not contain details of her duties and responsibilities.

At her first meeting, the new board member asks if the Board has a code of conduct. The Chair recollects a code of conduct was developed some years ago, however is not sure where it is stored and makes no commitment to locate or provide it to the new member.

When the new board member suggests the Board develop a new code of conduct, the Chair puts off discussion for a future, unspecified meeting. The board member asks for the form to make any conflict of interest and related entity disclosures and is advised that it will be provided in the future. The new board member also discovers there is no record of the training undertaken by current board members.

The Board did not practice appropriate ethical and responsible behaviour as it:

- Did not provide a detailed outline of the roles and responsibilities to the new board member.
- Does not have an up-to-date code of conduct and does not require its board members to make a formal commitment to comply with the code.
- Did not provide the code of conduct, conflict of interest or the school related party transaction register to the new board member when requested. It is not clear if the board updates the related party transaction register (it is good practice to include updates to the register as a standing agenda item, refer to **Good Governance Principle 6: Integrity in Reporting** for further information). It is also a NESAs requirement to maintain proper conflicts of interest and related transaction registers and policies.
- Does not keep records of the training board members have completed.

## Disclaimer

Whilst all efforts have been made to ensure the accuracy of information contained in this document, the Department of Education, its officers, employees and agents disclaim any liability arising from any person's use or reliance on the information contained in this document.

The information contained in this document does not contain legal or financial advice. Any person seeking to rely on the information contained in this document should obtain their own independent legal or professional advice specific to their circumstances.