Non-Government Schools Not-For-Profit Good Governance Principle 10 – Accountability to stakeholders

Good governance arrangements ensure school proprietors and boards[1] 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 10: Accountability to stakeholders states that:

'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, alumni, government funders and regulators. 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 about how the school is being managed.'

'A key indicator of a successful school board is a strong collective and individual sense of accountability.'[2]

Accountability of school boards is the processes through which boards meet the expectations of their stakeholders, and transparent board operations enable boards to demonstrate this accountability. Implementing processes to ensure accountability for decision making helps to establish trust and engagement with stakeholders. It also ensures schools meet their regulatory requirements, including the requirement to operate NFP under section 83C of the Act. The key elements of this principle are:

- Understanding who the school stakeholders are and responding appropriately.

- Following an established framework for engagement.

- Transparent processes for seeking and responding to feedback.

Understanding and responding to school stakeholders

An essential part of a school board's governance is understanding who the stakeholders in a school are, and what are the responsibilities towards them.[3]

Stakeholders in a school typically refers

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1 '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'.
2 Gilchrist, D., Knight, P (2015). Research into developing highly effective school boards for independent public schools. Curtain University. Retrieved from: https://www.education.wa.edu.au/dl/69o64e
3 The stakeholders and responsibilities discussed here do not override the legal obligations of a board.

to anyone invested in the welfare and success of the school, including (but not limited to):

- Students and their families.

- Teachers and other school staff.

- Government regulators and funders (that is, the department, NSW Education Standards Authority (NESA), Department of Education Skills and Employment (DESE), and Australian Charities and Not-for-profits Commission (ACNC).

- Alumni.

Part of schools being accountable to funders and regulators includes meeting all legal and reporting requirements. This includes ensuring records and processes demonstrate schools are meeting the requirement to operate not-for-profit under the Act. More information is available in **Good Governance Principle 9: Responsible management of finances**.

Boards can demonstrate accountability to stakeholders by:

- Ensuring they meet their identified roles and responsibilities.

- Completing all reporting requirements on time and to the required standards (financial reports, annual reports etc).

- Holding annual general meetings.

- Ensuring board recruitment and election processes are open and transparent (see **Good Governance Principle 3: Board structure and suitability of board members** for more information).

- Implementing policies and processes for the transparent management of complaints and feedback.

- Considering the impact on all relevant stakeholders as part of board decision making processes.

Following an established framework for engagement

Boards should establish a stakeholder engagement framework which clearly outlines the stakeholders and the processes through which the board will engage with each group.

The framework should include a communications process, which specifies:

- What information is provided to stakeholders (rationale for withholding any information)?

- When it is communicated.

- How it is communicated (that is, regularly scheduled newsletters, board updates on the school's webpage and/or through open annual general meetings).

- Accessibility of communication (using a diverse range of approaches to ensure equitable participation of all stakeholder groups (that is, developing communications that meet the needs of people with a disability and/or from other cultural and language backgrounds).

Schools need to keep stakeholders informed regarding the purpose and strategic direction of the school, school development, and incidents (including any breaches of their NFP requirements under section 83C).

Boards that engage with stakeholders to establish their strategic plan can benefit from this greater input. Boards should consider the views and interests of the stakeholders as it can lead to better and more balanced decision making in pursuing the organisation's purpose.[4]

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4 https://aicd.companydirectors.com.au/resources/not-for-profit-resources/not-for-profit-governance-principles/principle-8-stakeholder-engagement

Transparent processes for seeking and responding to feedback

Boards must have effective, clear and accessible policies for managing stakeholders' feedback, including complaints.[5] These will assist the board in their role as they will provide an opportunity to learn and improve on current processes. Effective complaints handling procedures can help the board to identify and resolve issues before they escalate, saving the school time and money.

Policies and processes for managing stakeholder complaints and feedback should be easily accessible on the school's website. The policy should clearly outline:

- How complaints/feedback should be submitted (to who, what information to include, where follow up is sought from the individual, etc).

- The process that takes place once a complaint/feedback is submitted.

- Timeframes for responding.

- Who will deal with the complaint.

- Potential outcomes.

Stakeholder feedback policies should also include processes for the board/school to seek feedback on certain school strategic matters (where appropriate). For example, this may include issuing a survey to students and their families concerning future infrastructure demands to meet student needs.

Not all feedback will require action from the board, but it is good practice for boards to maintain a feedback register as it is a useful resource to inform future decisions of the board.

Annual General Meetings (AGMs) provide a good opportunity for boards to report to their stakeholders on the previous year's activities. Stakeholders should be informed in advance of when the AGM will occur and details of the meeting, including to what extent they are able to participate (that is, as observers, able to ask questions, or participate in discussions on particular matters).[6] Documentation should be made available to attendees prior to the meeting, including an agenda and any relevant reports to be discussed (that is, annual financial statements).

Case studies

Case study A – Ineffective stakeholder accountability processes

Eagle Ltd is the proprietor of Eagle School and does not operate any other schools or businesses. Eagle School is a medium sized school that has been operating for 5 years. The Board does not have an established framework for communicating with stakeholders. The only form of communication is a 'news' section on the school's website which details school events such as the swimming carnival, and student achievements. Annual General Meetings are only attended by Eagle Ltd board members. There is no accessible or clear complaints management policy. The school's website does include a link to a 'complaints and feedback form' but it does not include details about who the complaint goes to, or how it is dealt with.

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5 Note that Schools are also subject to the mandatory Whistleblower policy requirements for companies under The Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019 (Act).
6 Generally, participation at the school AGM will be limited to the school/ proprietor's members (or as otherwise specified in the school's constitution). Other key stakeholders can observe but may not typically be able to actively participate.

The Board has noticed a drop in enrolment and an increase in students withdrawing from the school. Parents who have withdrawn their children have said they are unhappy with the lack of communication on key strategic matters for the school. It is noted several parents have submitted complaints about some of the school operations and have not received a response.

The Board does not have good stakeholder accountability processes in place, as they failed to:

- Understand their responsibilities to stakeholders.

- Establish and use a framework for engaging with stakeholders.

- Create a clear and transparent complaint and feedback process.

- Notify stakeholders of the AGM.

- Provide regular updates to stakeholders regarding the strategic direction of the school.

Case study B – Effective stakeholder accountability processes

Albatross Ltd is the proprietor of 2 schools. The Board has recently decided to rebrand the schools and has conducted a survey on a small group of parents, students and teachers to help them develop several options. Once the options have been developed, they plan to do a presentation to notify all relevant stakeholders (students, parents, teachers and other staff) of the options.

The Board follows its framework for engaging with stakeholders and sends out a newsletter advising them of the expected changes. It also includes details of a meeting they are holding to discuss the options for rebranding, where stakeholders can provide feedback on the proposals.

At the meeting, the Board Secretary notes all feedback received from stakeholders and this information is considered at the next Board meeting when deciding on the preferred rebranding for the school. After the Board agrees to the preferred option, the Chair updates the school website, to inform stakeholders of the outcome and provide details for the transition to the new branding for the school.

The Board practised good accountability to stakeholders as they provided:

- Regular updates to stakeholders.

- Followed their engagement and communications frameworks.

- Provided transparent and timely communications to stakeholders regarding the outcome of the board decision.

- A forum where stakeholders could directly engage with the Board and provide feedback.

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