Formal Collaboration and Governance

This information sheet explores some of the issues that need to be addressed for the effective governance of formal partnership arrangements between not for profit (NFP) organisations and outlines possible risks. *Formal Collaboration and Governance* purposely does not use the term "partnership" to describe the potential working relationship between two or more organisations. This is to avoid confusion with the legal term "partnership" which is one of several forms of formal collaboration.

Principles for Good Governance

Co-operation and collaboration is a natural impetus within the NFP community sector. It has been strongly encouraged by both the State and Federal Governments.

There has been considerable debate about the value and effectiveness of these models. Discussion has focused on the challenges, constraints, risks and opportunities inherent in more formal shared service arrangements, as well as the key considerations that need to be considered before entering any form of collaboration.

Good governance is central to any collaborative agreement. Whilst trust, respectful relationships and ensuring effective project management are crucial to the success of any collaborative agreement, without careful attention to governance, collaborations are destined to fail and may have legal ramifications for the organisations concerned.

The Institute on Governance in Canada defines governance as '*the process whereby power is exercised, decisions are made, citizens or stakeholders are given voice and account is rendered on important decisions*' (Edgar et al, 2006, 4). The Institute defines five principles relevant to governance of NFP organisations in general and collaborative activities:

1. **Legitimacy and Voice**: All stakeholders should have a voice in the decision-making process and good governance dictates a consensus orientation which mediates differing interests to reach a consensus of what is in the best interests of the group.

2. **Direction:** The decision-makers hold responsibility for strategic vision and a broad perspective on good governance.

3. **Performance:** The decision-makers are responsive to the interests of all stakeholders and work in effective and efficient ways that produce results within available resources.

4. **Accountability:** Decision-makers are accountable to the public as well as to institutional stakeholders, and transparency is built into the flow of information.

5. **Fairness:** Decisions are executed with equity and within the legal frameworks.

These principles provide an ethical framework within which collaborative arrangements can be negotiated.

Good Governance for Effective Partnerships

1. **Leadership and Strategic Planning**

    The Board members of all the participating organisations are responsible for developing a strategic vision for the partnership and setting the goals. The principles and values that underpin the partnership need to be clearly defined.

2. **Legal Responsibilities**

    The Board is aware of and takes responsibility for the legal obligations incurred by the collaborative agreement. These may include contractual obligations such as service agreements entered into with government authorities. Other legal responsibilities relate to:

    - Leases
    - Contracts
    - Property purchases
    - Work, health and safety
    - Privacy
    - Pending litigation faced by partners
    - Intellectual property
    - Form of incorporation and concomitant responsibilities
    - Employment and industrial relations obligations
    - Fundraising legislation.

    Special care needs to be taken with respect to the legal implications of the proposed partnership agreement.

3. **Financial Responsibilities**

    The Board is responsible for ensuring that a thorough assessment of the financial health of partner agencies is conducted and the viability of the partnership, when the contribution of each partner is taken into account. This assessment includes:

    - Accounting practices
    - Financial management policies
    - Details of all accounts and investments
    - Audited accounts
    - Tax returns
    - Budgets
    - Capital expenditure
    - Bank statements
    - Liabilities
    - Asset register
    - Superannuation payments

- Insurance policies.

4. Governance

The Board should review the proposed partners' governance policies, their strategic plan, annual reports, constitution, copies of minutes of the Annual and Special General Meetings, Board minutes and voting processes.

5. Management and Operations

In order to assess the feasibility of the partnership, the current management and operations of the proposed partner need to be assessed, including the operational plan, workplans, management reports to the Board, complaints and grievances pending as well as information about quality improvement processes. Part of the management review includes the review of human resources management including salaries, conditions, awards or workplace agreements, all operational policies, payroll reports and sick leave reports.

6. Information and Communications Technology

Before entering a partnership, the ICT processes and capacity of the proposed partner require assessment. Issues include the adequacy of the server, number of PCs in relation to staff, security/privacy of information, knowledge management systems, databases and software used and backup systems.

Look before you leap!

The amount of work that is required to ensure an effective partnership, and its proper governance, can seem overwhelming. There are no short cuts and careful attention to governance processes at the outset can prevent serious issues from arising down the track and pre-empt problems so that the partnership arrangement can progress smoothly. Preparatory work up front before embarking on a partnership agreement is likely to save time later.

Once the partnership is established, good governance of the project itself is essential and the agreement needs to state clearly which body carries responsibility for this function and how.

References

Edgar, L; Marshall, C and Basset, M. 'Good Governance Principles Based Tool for Assessing Partnerships' in _Partnerships: Putting Good Governance Principles in Practice,_ August 2006, Institute on Governance, Ottawa, Canada, 8-9

Skinner, Geraldine (2000) _The ins and outs of Community and Business Partnership Programs_, The NSW Council of Social Service Conference: "The Business of Welfare".

Resources

NCOSS Management Support

- Templates and Resources

    o Working Together: Glossary of key legal terms

Management Support

- o Working Together: Resources
- o Shared Services in the NGO Sector, November 2008, NCOSS Seminar
- o Formalising Partnerships Resource Kit (2008)
  Provides step by step planning processes required to form a partnership. Includes resources, information, checklists and case studies.

NSW Family and Community Services (FACS)

- Partnerships Chapter 9 in Good Governance: It's your business

NB: The above websites were accessible on 2 December 2015. If the links do not work search on the title of the document or go directly to the organisation's website.