

MARCH 2018

Issues Paper

*The Presbyterian and Methodist
Schools Association (PMSA) –
Governance Aspects*



Contents

1. Introduction	1
2. Background	3
3. The PMSA Council.....	7
4. The PMSA’s School Councils.....	11
5. Leveraging the PMSA’s Strengths.....	16
6. Stakeholder Reporting	18
7. Other Issues.....	21
Appendix A - List of Issues	22
Appendix B - Glossary.....	24

About the Australian Institute of Company Directors

The Australian Institute of Company Directors is committed to excellence in governance. We make a positive impact on society and the economy through governance education, director development and advocacy. Our membership of more than 41,000 includes directors and senior leaders from business, government and the not-for-profit sectors.

1. Introduction

The Australian Institute of Company Directors (AICD) has been engaged by the Presbyterian and Methodist Schools Association (PMSA) to conduct a review of its current governance arrangements against contemporary standards of good governance practice.¹

Context of the AICD's Review

The PMSA has stated that the AICD's review should be guided by several key principles.

- The PMSA intends to retain its existing schools within the current group structure.
- The PMSA intends to strengthen an approach that enables the promotion of the individual character of the PMSA's schools while leveraging the PMSA's collective strengths.
- The PMSA intends to build its approach on sound governance principles that can sustain it over time.

The following points should also be noted.

- The scope of work for the AICD's review is confined to matters of governance within the existing parameters set by the current PMSA Constitution.²
- The AICD's review is separate from the facilitated discussions that occurred between the PMSA's Somerville House and the PMSA, initiated by the Presbyterian Church of Queensland and the Uniting Church in Australia Queensland Synod (Appointing Churches), and led by the Hon Richard Chesterman with a view to developing steps towards reconciliation.³

As an early step in its review, the AICD is seeking stakeholder feedback on various governance issues. The questions posed in this Issues Paper (the Paper) have been agreed between the AICD and the PMSA, and reflect the PMSA Council's desire to ensure there is an appropriate set of governance arrangements in place for the PMSA. The Paper is exploratory in nature, and does not contain proposals or recommendations by the AICD. The responses to the Paper will help inform the AICD's review and in due course will assist it in formulating recommendations for the PMSA Council.

As the review progresses, the AICD will be exploring additional governance aspects as part of its more detailed examination of the PMSA's governance arrangements (e.g. the PMSA's approach to governing strategy and risk). Further input will also be obtained by other means (e.g. interviews, targeted surveys).⁴

¹ The Statement of Work for the current review is available at <http://pmsa-schools.edu.au/constitution-and-bylaws/governance-review>. All web-links contained in the footnotes to this paper were confirmed as working on 5 March 2018.

² The AICD is aware that some stakeholders have called for the PMSA to adopt a new legal structure. The PMSA's Constitution can only be amended with the agreement of both the Presbyterian Church of Queensland and the Uniting Church in Australia Queensland Synod. While recognising this, it should be noted that many changes are achievable in reforming the PMSA's By-Laws, Charters and Council Manuals (including delegations and reporting lines) without changing the Constitution.

³ The announcement by the PMSA's Appointing Churches of these facilitated discussions is available at www.pmsa-schools.edu.au/library/files/JointChurchesStatement_091117_signed.pdf.

⁴ The PMSA has also signalled its intention to separately conduct School Forums for interested stakeholders.

Making a Submission

If you are interested in making a submission in response to the Paper, please email your written comments in Microsoft Word or PDF format to pmsareview@aicd.com.au. Your submission will be treated confidentially by the AICD, except to the extent that the AICD will be providing an analysis and summary of the body of submissions to the PMSA on an “unnamed” basis. In addition, the AICD may, where necessary, decide to share individual submissions with the PMSA on a confidential basis for its consideration of governance arrangements.

You may choose to respond to all or a subset of issues. To assist the AICD in understanding your feedback, please set out the rationale(s) for your responses. If your comments relate to only one (or a larger subset) of the PMSA’s schools, please make that clear in your response.

It would be helpful (though not obligatory) if you could provide your connection to the PMSA (e.g. parent of student at x school, former student of x school, PMSA staff member), so that the AICD can better understand the context of your submission.

If you are open to being contacted by the AICD about your submission, please include your name and contact details within the submission. If you do so, this information will not be shared with the PMSA without your permission. Alternatively, you may choose to provide your submission on an anonymous basis.

The closing date for submissions is midnight on Monday 2 April 2018.

The AICD and the PMSA welcome your feedback.

2. Background

This year is the 100th anniversary of the formation of the PMSA. It is an opportune time for the PMSA to reflect on its successes and consider what changes might be required to best position it for the future.

Origins⁵

The PMSA was incorporated in 1918 by Letters Patent issued pursuant to the *Religious Education & Charitable Institutions Act 1861* (Qld).⁶ The PMSA was the vehicle for a joint venture by the Methodist and Presbyterian churches, and originally consisted of two previously existing schools that it took ownership of: Brisbane High School for Girls⁷ (later Somerville House) and a school for boys at Clayfield⁸ (later Brisbane Boys' College).

Clayfield College was established by the PMSA in 1931, while the Sunshine Coast Grammar School (established 1997) was acquired in 2004.

The Church Union in 1977 meant that the Uniting Church (comprising the former Congregational and Methodist Churches and elements of the Presbyterian Church) replaced the Methodist Church as an Appointing Church of the PMSA. A decision was made at the time not to alter the PMSA's name.

PMSA Today

Today the PMSA has four schools within its group:

- **Brisbane Boys' College (BBC)** – located in Toowong in Brisbane's Inner West, the BBC provides schooling for boys from Prep to Year 12, and boarding for boys in Years 4 to 12.
- **Clayfield College** – located in the inner-northern Brisbane suburb of Clayfield, the College provides schooling for boys and girls from Pre-Prep to Year 6, schooling for girls only from Years 7 to 12, and boarding for girls Year 5 to 12.
- **Somerville House** - located in South Brisbane, Somerville House provides schooling for girls in Prep to Year 12, boarding for girls from Years 6 to 12, and co-education schooling for Pre-Prep children.
- **Sunshine Coast Grammar School (SCGS)** – located in Forest Glen, the SCGS provides schooling for girls and boys in Prep to Year 12.⁹

⁵ For more information about the history of the PMSA, including other schools that have been part of the PMSA Group, refer to Dr Noel Quirke, *For the Good of the Community: 75 years of Presbyterian and Methodist Governance in Education in Queensland* (Boolarong Press, 1994).

⁶ The Act empowered the Queensland Governor to issue letters patent incorporating the office holders of certain types of institutions, and conferred on those persons the incidents and powers typical of a corporation. While the Act was repealed in 1982 and replaced by the *Associations Incorporation Act 1981* (Qld), letters patent issued under the former Act continue to be of full force and effect and to be subject to the former Act as if the *Associations Incorporation Act 1981* (Qld) had not been passed. Refer to the Queensland Law Reform Commission Report, *A Review of Religious and Certain Other Community Organisation Acts* (December 2013, Report No. 70) (available at <https://www.girc.qld.gov.au/recently-completed-reviews>).

⁷ Established in 1899.

⁸ The School for Boys at Clayfield commenced operations in 1902.

⁹ The PMSA also owns the New Leaf Early Learning Centre, which provides child care services, including nursery care for children from 6 weeks of age to pre-prep sessions for older children. Refer to <https://newleaf.qld.edu.au/>.

The stated mission of the PMSA is “to provide outstanding teaching and learning environments for our students and staff, in schools built on the teachings and examples of Jesus Christ.”¹⁰ The resources that the PMSA has available to it in the pursuit of this mission are by no means small. Based on data released by the PMSA, in 2016 it employed more than 1,000 people,¹¹ had the help of an estimated 700 volunteers,¹² and educated approximately 4,800 students.¹³ In financial terms, as at 31 December 2016 the PMSA had net assets of approximately \$385 million and total income (before expenses) for the 2016 calendar year of approximately \$134 million.¹⁴

Overview of the PMSA’s Current Governance Model

Core elements of the current PMSA’s governance model include the following.

- Two Appointing Churches that each have the right to appoint up to six PMSA Council members¹⁵ and must both consent before the PMSA Constitution can be changed,¹⁶ but otherwise have no direct role in the governance of the PMSA or its schools.
- A governing board, known as the PMSA Council.¹⁷
- Three PMSA Council Standing Committees that cover organisation-wide issues and have delegated authority from the PMSA Council:
 - the Education & Pastoral Care Committee;
 - the Audit & Finance Committee; and
 - the Appointment & Remuneration Committees.
- Four PMSA Council Standing Committees that each cover a different school and have delegated authority from the PMSA Council:
 - BBC School Council;
 - Clayfield College School Council;
 - Somerville House School Council; and
 - SCGS School Council.
- Four Principals who have delegated authority from their respective School Councils and from the PMSA Council.
- A PMSA Corporate Office Executive with delegated authority from the PMSA Council.
- A Business Manager in each of the four schools who reports to a School Principal.
- No reporting line between the Principals and the Corporate Office Executive.

¹⁰ Refer to <http://pmsa-schools.edu.au/who%20we%20are/mission-vision-values>.

¹¹ Source: The PMSA’s Annual Information Statement 2016 to the ACNC (available via <http://pmsa-schools.edu.au/who%20we%20are/pmsa-annual-reports>). As at 2016, the number of employees could be broken down as follows: full time (639), part time (236), and casual (376).

¹² Source: The PMSA’s Annual Information Statement 2016 to the ACNC (available via <http://pmsa-schools.edu.au/who%20we%20are/pmsa-annual-reports>).

¹³ Source: PMSA 2016 Annual Report (page 1) - <http://pmsa-schools.edu.au/who%20we%20are/pmsa-annual-reports>.

¹⁴ Source: PMSA 2016 Annual Report (pages 12 and 13) - <http://pmsa-schools.edu.au/who%20we%20are/pmsa-annual-reports>. Income included \$120.8m in total income from services and \$13.2m in other income. Note that under the PMSA’s Constitution (clause 20), the income and property of the Organisation is to be used and applied solely for the promotion of the objects of the Organisation, and no portion of the income or property is to be distributed, paid or transferred by way of dividend, bonus or otherwise to its members. The PMSA’s Constitution and By-Laws are available at <http://pmsa-schools.edu.au/who%20we%20are/constitution-and-bylaws>.

¹⁵ Refer to the PMSA’s Constitution, Clause 4.

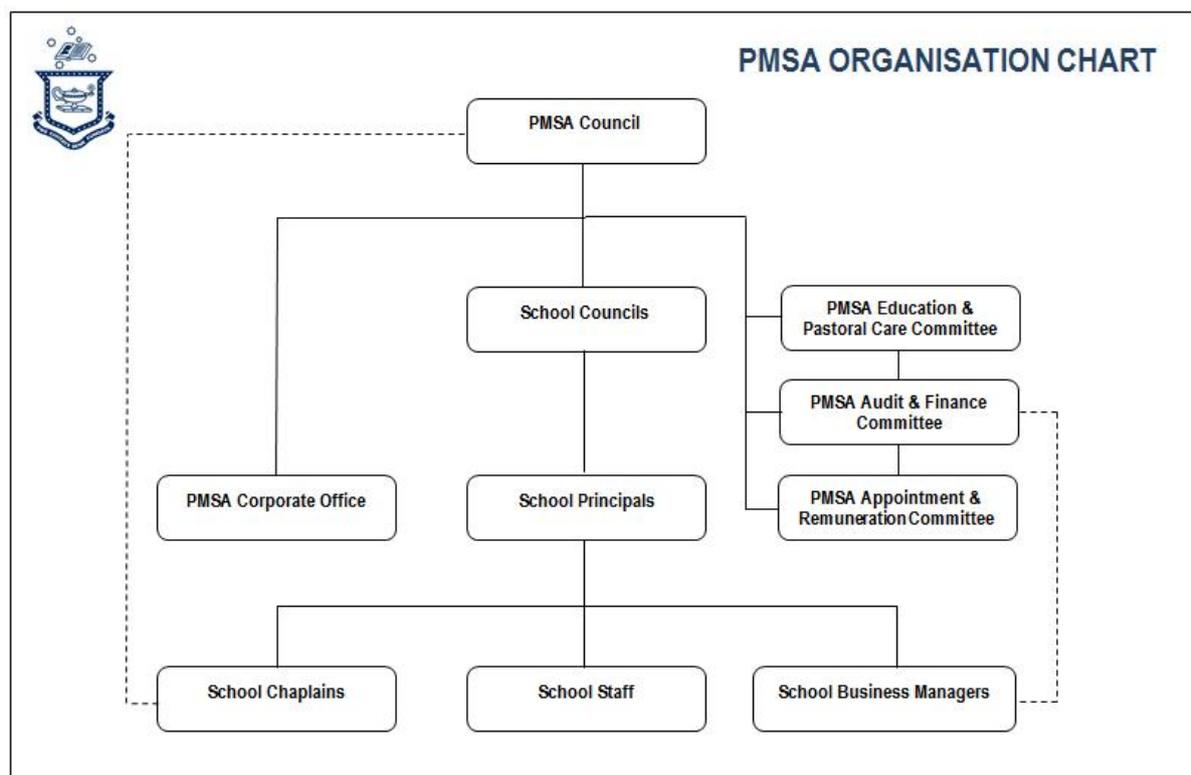
¹⁶ Refer to the PMSA’s Constitution, Clause 18. By contrast, the PMSA’s By-Laws can be amended by the PMSA Council provided the amendments are not inconsistent with the PMSA’s Constitution and are adopted in general meeting. Refer to the PMSA’s By-Laws, Clause 9.1.

¹⁷ The AICD has been advised by the PMSA that the Members of the PMSA Council are also the Members of the PMSA.

The PMSA's Organisation Chart is set out in Figure 1.

During its 100 year history, the PMSA has undergone various reviews of its governance arrangements to help ensure it evolves in line with contemporary standards and community expectations. The PMSA is, for the first time, taking the step in this current review of consulting broadly with stakeholders in the school community on a number of core governance issues.

Figure 1 : PMSA Organisational Chart



Source: The PMSA¹⁸

Today's Challenges

In considering governance arrangements for the PMSA, it is useful to be mindful of some of the external challenges that Independent Schools currently face (see Figure 2). These challenges include:

- on-going pressure on enrolments due to the rising costs of a private education;
- increasing parent expectations;
- uncertainty about the level of government funding;
- cost of capital projects and how they are funded;
- competition between GPS and QGSSSA schools;¹⁹
- a perception of an improving product from the state system;
- new technologies impacting on teaching and learning;

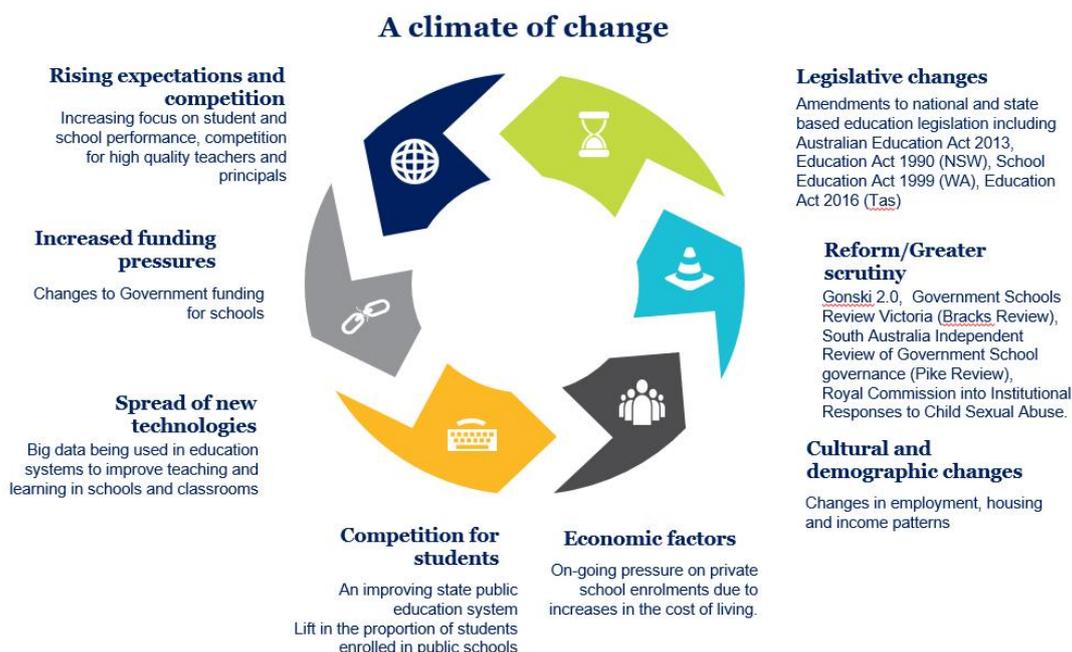
¹⁸ Reproduced from <http://pmsa-schools.edu.au/who%20we%20are/organisational-structure>.

¹⁹ GPS and QGSSSA refer respectively to the Great Public Schools' Association of Queensland Inc and the Queensland Girls' Secondary Schools Sports Association Inc.

- lower fees offered by private Catholic schools; and
- reducing number of volunteers.

Christian schools are also facing a possible declining interest in religion-based education and the importance of Christian values as a fundamental basis of education, reflected by a decline in the proportion of people in Australia who identify themselves as having a religion or being Christian.

Figure 2 : Some Factors Driving Change in Schools



The set of governance arrangements the PMSA puts in place needs to take account of such challenges. Some of the challenges may, for example, have an impact on the desired mix of skills, experience and backgrounds for the PMSA’s governing bodies, the standing committees in place, organisational strategies and stakeholder engagement initiatives.

3. The PMSA Council

Role of the PMSA Council

The PMSA Council is the board of directors of the PMSA. Like many other boards, its role encompasses (but is not limited to):

- determining, reviewing and maintaining the vision, purpose and values of the organisation;
- approving short and long-term organisational strategies;
- approving annual budgets for the organisation;
- approving expenditure over pre-specified limits;
- appointing, performance evaluating and (if the circumstances necessitate) terminating the employment contract of the Chief Executive Officer;²⁰
- overseeing organisational risk;
- providing a check on the integrity of external financial and non-financial reports;
- undertaking additional monitoring of the activities of the organisation in order to satisfy itself that it is being properly managed; and
- supporting effective engagement with key stakeholders.²¹

The PMSA Council is also the overarching governing body for each of the four schools within the PMSA Group. In this context, the PMSA Council:

- delegates various authorities to School Councils to oversee the operation of schools (discussed in Section 4);
- appoints members of School Councils;
- appoints and (if the circumstances necessitate) terminates the employment contracts of School Principals and School Chaplains;
- is consulted by each School Council in relation to the appointment of the Business Manager of each school; and
- approves school strategic plans and annual school budgets.

Members of the PMSA Council, as directors of the PMSA, each have various legal duties and responsibilities²², including duties to act honestly, in good faith and with care and diligence.²³

²⁰ The PMSA does not have a Chief Executive Officer. Rather, it has a Corporate Office Executive role which reports to the PMSA Council, and four School Principals who each report to the PMSA Council through a different School Council.

²¹ The AICD, “Good Governance Principles and Guidance for Not-for-Profit Organisations” (2013), at p17. <http://aicd.companydirectors.com.au/resources/not-for-profit-resources/good-governance-principles-and-guidance>.

²² For a general discussion of the types of duties and responsibilities that can apply to directors, refer to Professor Robert Baxt AO, *Duties and Responsibilities of Directors and Officers* (2016, AICD, 21st Edition).

²³ The By-Laws of the PMSA include some Council member duties (Clause 4).

Constitutional Requirements

The maximum size of the PMSA Council is set by the PMSA's Constitution²⁴, which as noted in Section 2, can only be changed with the agreement of both the PMSA's Appointing Churches. The PMSA's Constitution provides for a PMSA Council of up to 15 members,²⁵ including:

- up to six members appointed by the Presbyterian Church of Queensland; and
- up to six members appointed by the Uniting Church in Australia Queensland Synod.

The remainder of appointments are able to be made by the PMSA Council.

While the maximum size of the PMSA Council is 15 members, it is possible for the Council to be smaller than this without the need for constitutional amendment. For example, the PMSA Council may choose to appoint only one or two Council members if it considered that the Council worked more effectively as a smaller group and already possessed the desired mix of skills, experience and backgrounds.

The PMSA's Constitution also provides that each PMSA Council member must be a member of either of the Appointing Churches.²⁶ Appointment as a PMSA Council member is typically for a three-year period, with retirement by rotation and eligibility for re-appointment.²⁷

Notwithstanding the restrictions on Council appointments set out in the PMSA's Constitution, the PMSA Council can engage with the Appointing Churches in the context of Council member candidates with the particular skills, backgrounds or experiences that it considers the Council would benefit from in the performance of its role.

The By-Laws of the PMSA state there is no fixed limit to the total term of office of a PMSA Councillor.²⁸ By contrast, in the case of the PMSA's School Councils, the PMSA considers that no School Council member should normally serve for more than 12 years, unless the balance of knowledge and expertise within the School Council is significantly affected.²⁹

Good Practice Commentary

The size and composition of a board can impact its effectiveness. A board needs to be large enough to discharge its workload, as well as that of its committees, and allow for a sufficient mix of skills, experience and perspectives. On the other hand, the board should not be so large as to be unwieldy. Each board member should have sufficient opportunities to contribute to discussion, and decisions should not be bogged down by "too many voices". While there are exceptions and it can differ from organisation to organisation (e.g.

²⁴ Prior to 1 July 2004, the maximum size of the PMSA Council was 24 members. Refer to the PMSA's Constitution, Clause 4.

²⁵ The names, skills, qualifications and backgrounds of each PMSA Council member are included on the PMSA's website - <http://www.pmsa-schools.edu.au/who%20we%20are/pmsa-councillors>.

²⁶ The By-Laws of the PMSA (at clause 3) include some of the required "qualifications", including that: PMSA Councillors must display community leadership; be able to apply sufficient time and effort as to achieve the PMSA's objectives; have an understanding of successful corporate governance practices (from appropriate experience in committees/boards/associations); have a preparedness to publicly identify with or champion independent Christian-based schools and the PMSA's schools. A person will not be considered for candidacy for the office of PMSA Councillor if they have been convicted of a criminal act under the Criminal Code or are subject to an order under the Corporations Law.

²⁷ Refer to the PMSA's Constitution, Clause 4. The clause also says that if a PMSA Council member attains the age of 72, the term of appointment shall be one year.

²⁸ Refer to the PMSA's By-Laws, Clause 3.7.

²⁹ School Council Charters, "Term" section.

depending on organisational structure, stage of development), an optimal board size is usually considered to be in the range of 7 to 11 directors.³⁰

Boards should have an appropriate mix of skills, experience, qualifications and backgrounds having regard to the relevant organisation's activities, its strategic mission and plans, and the environment in which it operates. Where this mix is wrong, it can impact adversely on decision making and expose the board to "blind spots". In the context of listed entities, the ASX Corporate Governance Council's Recommendation 2.2 states: "A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership."³¹

Factors for consideration regarding the desired composition of a board would normally include, amongst other things:

- the role of the board (e.g. the need for relevant governance experience, and various functional skills such as financial and legal);
- the way in which a board utilises board committees;³²
- the nature of the organisation's activities (in this case, the operation of leading schools);
- the environment in which the organisation operates (in this case it includes the welfare of children, funding and other requirements); and
- the mission and strategic ambitions of the organisation.³³

Below are examples of some of the more common skills and experience that are sought by larger not-for-profit boards.

- Strategic expertise – the ability to guide and review strategy through constructive questioning and suggestion.
- Accounting and finance – the ability to read and comprehend the NFP's accounts, financial material presented to the board (any financial reporting requirement) and some understanding of the organisation's financial drivers/funding and business model.
- Legal – the ability to support the board in its responsibility to oversee compliance with various laws and regulations.
- Managing risk – experience in managing areas of major risk to the organisation.
- Managing people and achieving change.
- Experience with the dynamics of fundraising.
- Skills in technology and data.

³⁰ A high proportion of large companies consider that their optimal board size is between 7 to 9 directors.

³¹ The ASX Corporate Governance Council, "Corporate Governance Principles and Recommendations" (2014, 3rd Edition), located at <https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>. The ASX Corporate Governance Council states "The Principles and Recommendations are specifically directed at, and only intended to apply to, ASX listed entities. However, as they reflect a contemporary view of appropriate corporate governance standards, other bodies may find them helpful in formulating their governance rules or practices" (page 3).

³² For example, in the PMSA's case, there has been a practice of having up to three PMSA Council members on each of the PMSA's four School Councils. This implies the need for a larger PMSA Council than might otherwise be the case, in order to spread the workload across PMSA Council members.

³³ The PMSA has published a 2015-2018 Strategic Plan that refers to four areas of strategic intent: (i) promote excellence in teaching and learning; (ii) foster a caring Christian culture; (iii) deliver sound governance and engagement; and (iv) engage with the PMSA's communities for sustainability and growth. The Plan is available on the PMSA's website at <http://www.pmsa-schools.edu.au/who%20we%20are/strategic-plan>.

- Specific NFP/industry knowledge – passion for the cause, experience in similar organisations, sectors or industries.³⁴

There are differing views concerning whether organisations should have a maximum tenure period for their directors. Some people view tenure limits as providing opportunities for board refreshment and helping to promote director independence. Others view tenure limits as unnecessarily restrictive. The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations do not specify a maximum length of board tenure. While the commentary for ASX Corporate Governance Council's Recommendation 2.3 states that "[t]he mere fact that a director has served on a board for a substantial period does not mean that he or she has become too close to management to be considered independent", it also suggests "the board should regularly assess whether that might be the case for any director who has served in that position for more than 10 years".³⁵ In its voting guidelines for ASX 200 listed companies, the Australian Shareholder Association (ASA) states: "Companies should voluntarily adhere to tenure limits of no more than 12 years for independent directors and this should be formalised in board protocols. Whilst ASA will not automatically vote against a long-serving director, we will not classify them as "independent" after 12 years of service and we will always encourage companies to maintain a majority of independent directors".³⁶

Issue 1 – PMSA Council Composition

What is an appropriate mix of skills, experience, qualifications and backgrounds for the PMSA Council?

Issue 2 – PMSA Council Size

What is an appropriate size for the PMSA Council within the maximum size of 15 members that is set out in the PMSA's Constitution?

[Please note that the AICD has been advised by the PMSA that this constitutional requirement, including the right of each Appointing Church to appoint up to six PMSA Council members, is unlikely to change]

Issue 3 – Reporting to External Stakeholders about PMSA Council Composition

What should the PMSA be reporting to external stakeholders regarding the composition of the PMSA Council?

Issue 4 – Maximum Tenure Period for PMSA Council Members

What should be the maximum tenure period, if any, for members of the PMSA Council?

³⁴ Refer to <http://aicd.companydirectors.com.au/resources/not-for-profit-resources/good-governance-principles-and-guidance>.

³⁵ The ASX Corporate Governance Council, "Corporate Governance Principles and Recommendations" (2014, 3rd Edition), at page 17.

³⁶ The Australian Shareholders' Association, "ASA Voting Guidelines for ASX 200 Companies" (March 2017), located at <https://www.australianshareholders.com.au/our-voting-guidelines>.

4. The PMSA's School Councils

As noted in Sections 2 and 3, each of the PMSA's four schools has its own School Council which is authorised by the PMSA Council to undertake various governance functions within defined limits.³⁷

The Role of the PMSA's School Councils

While the PMSA Council is the body that, amongst other things, has overall responsibility for the governance of the PMSA and its schools, the PMSA's School Councils are each charged with the responsibility for overseeing the operations of their relevant school "in the best interests of the school, its pupils and its school community, and the Association [the PMSA]."³⁸

As noted in Section 2, the PMSA's School Councils have been established as Standing Committees of the PMSA Council. To enable the School Councils to fulfil their roles, the PMSA Council has delegated powers so that the former can:

- ensure the operation, maintenance and development of the relevant school;
- enter into contracts;
- make charges for services and facilities it supplies;
- hire employees; and
- invest monies.³⁹

Importantly, while the PMSA Council has delegated these powers, it is not possible to delegate the legal duties and responsibilities that PMSA Council members have. It follows that the PMSA Council must continue to satisfy itself concerning the governance of the PMSA's schools and place appropriate limits on the authorities of each of the PMSA's School Councils.

The PMSA Council has placed limits on School Council powers including in relation to:

- the appointment of a School Business Manager (there needs to be prior consultation with the PMSA Council);
- the expenditure of monies for operating purposes and the undertaking of contracts, both within and outside approved budgets as outlined in the Protocol for Delegations in the PMSA Council Manual; and
- expenditure on discrete projects for facility development over \$1m (prior approval of PMSA Council must be obtained).⁴⁰

Borrowings of any type as well as acquiring, disposing of or mortgaging real property are among the powers reserved by the PMSA Council.⁴¹

³⁷ The PMSA's Constitution states (at clause 11) that "Any Committee ... [formed by the PMSA Council under the clause] ... or any delegate shall, in the exercise of the powers so delegated, conform to any directions that may be imposed on it or the delegate by the [PMSA] Council".

³⁸ School Council Charters, "Role of the School Council" section.

³⁹ School Council Charters, "Powers" section.

⁴⁰ School Council Charters, "Powers" section.

⁴¹ School Council Charters, "Powers" section.

The PMSA Council may withdraw any or all of a School Council's powers and delegations at any time.⁴²

Each School Council may delegate certain of its powers (within the limits set by PMSA Council) to the School Principal to ensure the effective administration of the School.⁴³

Table 1 provides a summary of the actions of the PMSA Council and School Councils in selected areas.

Table 1 : Summary of PMSA Council and School Council Actions in Selected Areas

Areas	PMSA Council	School Councils
Strategic Plans	Sets overarching strategic plan for the PMSA Approves school strategic plan	Implements the PMSA strategic plan in the context of the school Develops draft school strategic plan
Annual Business Plan	Approves School Business Plans	Is responsible for overseeing the affairs of the school within the framework of the annual business plan and within the School Council's delegated authority
Annual Budgets	Approves annual budget for the PMSA, including the budget for each school	Oversees that school operates within budget
Borrowings	Approves borrowings	-
Acquiring, disposal of or mortgaging real property.	Approves acquiring, disposal of or mortgaging real property.	-
Group Policy and procedures	Sets group policy and procedures.	Oversees that school adheres to group policy and procedures
School Council Chairmen	Appoints School Council Chairman for each school.	-
School Principals	Appoints or terminates the employment of School Principals.	Oversees the performance of the School Principal
School Chaplains	Appoints or terminates the employment of School Chaplains.	Reviews the performance of the School Chaplain in conjunction with the School Principal
School Business Manager	-	Appoints the School's Business Manager (in consultation with the PMSA Council)

Source: The PMSA

Main Responsibilities of the PMSA's School Councils

The main responsibilities of each of the PMSA's four School Councils include to:

- articulate the PMSA and School mission and purposes;
- ensure an effective implementation of the PMSA's vision, mission and values;
- ensure an effective implementation of the PMSA strategic plan;
- select the Business Manager, in consultation with the PMSA Council;
- support senior executives and assess their performance;
- ensure organisation planning;

⁴² School Council Charters, "Powers" section.

⁴³ School Council Charters, "Powers" section.

- ensure adequate resources and manage them effectively;
- determine, monitor and strengthen the school's programs and services;
- enhance the school's public standing;
- ensure the legal and ethical integrity of School operations and maintain accountability;
- orient new School Council members and assess the School Council performance; and
- ensure School Council members have sufficient resources to perform their tasks and provide for their continuing education.⁴⁴

In performing their roles, the PMSA's School Councils are expected to ensure the school they govern:

- maintains its Christian mission and values in the delivery of school education;
- maintains continuing financial strength;
- has effective procedures in place to achieve compliance with educational and legislative requirements, and meets accepted community standards;
- has a structure and procedures which create accountability for performance;
- reviews the risks it faces and ensures that techniques, procedures and controls are put in place to eliminate or mitigate any adverse effects on the school or the PMSA;
- sets operational guidelines which conform to PMSA policies;
- develops a strategic plan consistent with the PMSA strategic plan, for approval by the PMSA Council;
- develops an annual operating plan, which delivers the objectives of the PMSA and School strategic plans, for approval by the PMSA Council;
- plans for succession in its membership, seeking always to have willing, competent and committed people in its ranks;
- maintains regular communication with its stakeholders including an Annual Report; and
- assesses its performance on an annual basis.⁴⁵

School Councils are also expected to:

- maintain an effective working relationship with the PMSA Council; and
- provide a formal quarterly report and a more detailed annual report to the PMSA Council, covering progress of the school's annual operation plan, and other matters as required under PMSA reporting guidelines.⁴⁶

As such, the PMSA's School Councils are intended to play an important role in the governance of school activities and in doing so support the overarching governance role of the PMSA Council.

Size and Membership

Under their charters, the PMSA's School Councils can have up to eight members:

- up to three PMSA Council members;

⁴⁴ School Council Charters, "Duties and Responsibilities" section.

⁴⁵ School Council Charters, "Duties and Responsibilities" section.

⁴⁶ School Council Charters, "Duties and Responsibilities" section.

- up to four independent Community members drawn from the wider school community (all of whom are voting members and are appointed by the PMSA Council); and
- the Principal of the school (who is a non-voting member).⁴⁷

The PMSA Council also appoints a PMSA Council member as School Council Chairman.⁴⁸

PMSA Council members are appointed to School Councils “to maintain the balance of knowledge and expertise necessary for the effective governance of each school and the PMSA”, and such appointments are usually for a period of no more than five years.⁴⁹

Community members are appointed to the PMSA’s School Councils for terms of up to three years and retire by rotation annually at the time of the PMSA’s Annual General Meeting, with no more than two members retiring by rotation in the same year.⁵⁰

As mentioned earlier in this section, the PMSA considers that no School Council member should normally serve for more than 12 years, unless the balance of knowledge and expertise within the School Council is significantly affected.

PMSA Council Representation on the PMSA’s School Councils

Having PMSA Council representatives on the PMSA’s School Council:

- helps to satisfy the PMSA Council that schools are being governed in an appropriate way; and
- improves the two-way information flow between the PMSA Council and the PMSA’s School Councils.

While the PMSA’s School Council Charters provide for inclusion of up to three members appointed from the PMSA Council (one of whom serves as the School Council Chairman), the level of representation can vary across other school groups.⁵¹ Some school groups, for example, tend to have only one board representative on each School Council (who is often also the Chair of the School Council).

One issue for consideration in the PMSA’s context is whether to continue with its existing level of PMSA Council representation on the PMSA’s four School Councils (up to three PMSA Council members), or reduce this level and find other mechanisms⁵² to:

- ensure there is appropriate governance knowledge and expertise on School Councils;
- ensure the desired two-way information flow between the PMSA Council and individual School Councils; and more generally
- satisfy the PMSA Council that individual schools are being appropriately governed.

Good Practice Commentary

For an organisation’s governing bodies to discharge their roles effectively there needs, amongst other things, to be clarity as to what these respective roles are. This clarity can be aided through appropriate documentation and communication.

⁴⁷ School Council Charters, “Composition” section.

⁴⁸ School Council Charters, “Composition” section.

⁴⁹ School Council Charters, “Term” section.

⁵⁰ School Council Charters, “Term” section.

⁵¹ School groups can also differ in terms of whether School Councils are set up as board committees. The PMSA Council has established its Schools Councils as board committees (albeit with some non-PMSA Council members).

⁵² For example, through induction and professional development of School Council members, organisation-wide policies, improved charters and enhanced reporting to the PMSA Council.

While the role of School Councils within a group context can vary from organisation to organisation, School Councils often play a “hands on” governance role, with delegated authority from the organisation’s board. This can enable the organisation’s board to focus more on broader organisational matters (e.g. organisational strategy, organisation wide policies) than might otherwise be the case. In such cases, there is often a “nexus” between each School Council and the board (e.g. a board member serving as the Chair of a School Council, regular reports to the board detailing actions taken by the Council).

Where a board delegates governance authorities to a School Council this has implications for the desired skills, experience and backgrounds of School Council members. In particular, because a School Council undertakes governance activities on behalf of the board, there needs to be a requisite level of governance knowledge and experience on the former. There is a need, for example, to have a collective appreciation of how the School Council fits within the organisation’s governance framework, as well as an understanding of a school’s finances, its risks and compliance matters.

Issue 5 – Clarity Regarding Governing Roles

What more, if anything, could the PMSA do to address potential confusion among stakeholders regarding the respective roles of the PMSA Council and the PMSA’s School Councils?

Issue 6 – Powers and Responsibilities of School Councils

Are the powers and responsibilities given to each of the PMSA’s School Councils appropriate?

Issue 7– Composition of School Councils

What is an appropriate mix of skills, experience, qualifications and backgrounds for each of the PMSA’s School Councils?

Issue 8 – Size of School Councils

What is an appropriate size for each of the PMSA’s School Councils?

Issue 9 – Maximum Tenure Period for School Council Members

What should be the maximum tenure period, if any, for the PMSA’s School Council members?

Issue 10 – PMSA Council Representation on School Councils

What is an appropriate level of PMSA Council representation on each of the PMSA’s School Councils?

Issue 11 – Disclosure of School Council Composition

What should the PMSA disclose to external stakeholders regarding the composition of each of the PMSA’s School Councils?

5. Leveraging the PMSA's Strengths

A large part of the PMSA's strengths reside, amongst other things, in:

- the quality of the staff in each of its schools;
- the standing of its individual schools;
- its combined talent and scale; and
- the goodwill and commitment that is shown by school communities towards their relevant school.

The PMSA recognises it needs to foster the development of various individual attributes of each of the PMSA's schools' characters. At the same time there is also a desire to leverage the collective strengths that exist within the PMSA in the pursuit of its mission towards outstanding teaching and learning environments. The need for the PMSA to use its existing resources wisely is heightened by the types of challenges facing independent schools, outlined in the Section 1.

Some of the activities the PMSA Council has taken to strengthen the PMSA and its schools include:

- the development of an overarching mission, vision, set of values, and strategic plan;⁵³
- the establishment and refinement of organisation-wide governance frameworks and policies, including in the areas of risk management and compliance;
- putting in place a Quality Teacher Framework that helps to ensure PMSA Quality Teacher recognition;⁵⁴
- consolidated investment and asset management; and
- the maintenance of a small Corporate Office which provides some support to schools and the PMSA's governing bodies (e.g. through co-ordinating reports, providing a secretariat function for the PMSA Council, human resources support, external communications support, facilitation of insurance, and compliance support).

The PMSA is considering what more it could do to strengthen the organisation as a whole. It is interested in stakeholder feedback on this point. Examples of other activities that the PMSA could consider, based on what other school groups have undertaken or are considering undertaking, include:

- promoting further sharing of information and ideas between schools, in recognition of the diversity of talent that exists within the PMSA and as a way of promoting desired outcomes;
- creating "centres of excellence", led by teaching staff, as a means of further promoting innovation and excellence in teaching practices across schools;
- providing further opportunities for staff development (e.g. through secondments, promotion and/or training), increasing the desirability of the organisation's schools as places of employment; and

⁵³ "Every three years, the PMSA develops a strategic plan and works together with each School Council and Principal to set the school's direction towards achieving the PMSA's vision" (see <http://www.pmsa-schools.edu.au/who%20we%20are/strategic-plan>).

⁵⁴ The structure is broadly aligned to professional quality teacher standards (such as those in AITSL and other local and national standards) for teachers, while respecting the specific identities and requirements of the PMSA's schools.

- further reducing the administrative burden and duplication in certain areas of the organisation through assisting in the consistency of operational capabilities across the schools, such as stationery purchasing and IT purchasing.

Issue 12 – How to Leverage the PMSA's Strengths

What more should the PMSA do to leverage the collective strengths of the organisation in pursuit of its mission, while at the same time enabling the PMSA's schools to retain their individual characters?

6. Stakeholder Reporting

Another issue for consideration relates to the information the PMSA makes available to its external stakeholders. The issue is not as straightforward as it is for some other types of organisations. An examination of the nature of the relationship that the PMSA has with the parents of students enrolled in the PMSA's schools serves to illustrate this point.

On one hand, parents of enrolled students are not the legal “owners” of the PMSA or its schools. They do not have a residual claim in the assets of the PMSA or have voting rights.

On the other hand, parents are placing a high degree of trust in the PMSA that their children are in a safe environment and are being educated appropriately. The fees paid by parents can also represent a considerable investment for them, and many parents volunteer their time and/or donate money to school activities, which understandably leaves them feeling a sense of ownership.

So whilst parents are not owners of the PMSA or its schools in a legal sense, the relationship is underpinned by a high level of trust by parents in the PMSA and its schools. Current, prospective and past parents want to have confidence that the PMSA's school(s) educating their children continues to deliver services to a desired standard over an extended period (even after their children have left the school).

Students can also develop a deep connection and sense of loyalty and ownership over their school, long after they have finished their studies.

The following paragraphs set out some of the key information that the PMSA provides to external stakeholders, after which the Paper seeks feedback on the ways in which the PMSA could improve its reporting to external stakeholders.

Current Reporting to External Stakeholders

The PMSA's website contains some core information concerning the governance arrangements the PMSA has in place. Amongst other things, this information includes:

- the PMSA's Constitution and By-Laws;
- an outline of the PMSA's governance structure, including its Committees and School Councils;
- brief biographical details for each PMSA Council member; and
- the names of Committee and School Council members.⁵⁵

The PMSA's website also contains:

- the PMSA's strategic plan;
- its annual reports;
- a link to the Annual Information Statements and Group Financial Reports which the PMSA provides to the Australian Charities and Not-for-Profits Commission (ACNC); and

⁵⁵ <http://www.pmsa-schools.edu.au/>. Currently School Council Charters and other PMSA Council Committee Charters are not publicly available.

- individual yearly reports for each of the PMSA's Schools (also available on the relevant school's website⁵⁶).⁵⁷

In addition, there is selected information available for each of the PMSA's schools on the My School website.⁵⁸

At the time of writing this paper, the most recent published reports relate to the 2016 calendar year.⁵⁹ The look and content of the yearly reports can vary markedly from school to school. The lack of uniformity is in line with the PMSA's desire to promote the individual character of each school.

Much of the staff and student related data contained in the PMSA's schools' yearly reports is available on the My School website. The reports, to varying degrees, also contain supplementary information. For example, in the cases of Sunshine Coast Grammar School and Clayfield College, their 2016 reports include messages from the relevant School Council Chairman, the Principal and the Business Manager.

The individual yearly reports provided by the PMSA's schools do not typically contain financial information for the relevant school, beyond what is available on the My School website. An exception is Clayfield College which included a percentage breakdown of school operational expenditure.⁶⁰

Reasons why the PMSA has to date not provided the same amount of financial information in school yearly reports that it provides in its group annual report include:

- the PMSA's schools operate in a competitive environment and releasing detailed financial information on school activities could put the schools at a competitive disadvantage relative to other private schools;
- organisations in broadly comparable circumstances do not typically publish this level of detail; and
- the PMSA's schools are part of the one single legal entity (being the PMSA) and are therefore "backed" by the financial resources of the organisation as a whole.

In addition to the above-mentioned publicly available information, the PMSA also reports through a number of other formal channels.⁶¹

- The PMSA discloses information about how they have expended, or committed to expend, all funding received from the State Government for the relevant purposes to the Non-State Schools Accreditation Board (NSSAB) annually in accordance with the *Education (General Provisions) Act 2006* (Qld) (Education Act). This information is then reported to the Department of Education.
- The PMSA provides NSSAB with Cyclical Review Data documentation that assists NSSAB in monitoring compliance for accreditation and eligibility for government funding.
- The PMSA Chairman provides an Annual Report to each Appointing Church which includes the year in review, spiritual review, update on councillors and staff, PMSA Mission and strategy, governance update, significant policy and regulatory changes.

⁵⁶ Somerville House - <https://www.somerville.qld.edu.au/about-us#publications>; Clayfield College - <https://www.clayfield.qld.edu.au/about/school-performance>; Brisbane Boys' College - <http://www.bbc.qld.edu.au/more/policies-governance>; Sunshine Coast Grammar School - <https://www.scgs.qld.edu.au/publications/>.

⁵⁷ Refer to <http://www.pmsa-schools.edu.au/who%20we%20are/pmsa-annual-reports> and <http://www.pmsa-schools.edu.au/who%20we%20are/strategic-plan>.

⁵⁸ In accordance with the *Australian Education Act 2013* (Cth), each PMSA school completes an annual questionnaire resulting in information being published on the My School website - <https://www.myschool.edu.au/>.

⁵⁹ The AICD has been advised by the PMSA that individual reports relating to 2017 activities are forthcoming.

⁶⁰ Refer to Clayfield College's Annual Report on its 2016 activities (page 8).

⁶¹ Based on information provided by the PMSA to the AICD.

Issue 13 – Reporting to External Stakeholders

In what ways could the PMSA improve its reporting to external stakeholders on its group activities and the activities of each of the PMSA's schools?

7. Other Issues

As mentioned in Section 1, the AICD and the PMSA have an agreed scope for the current review which is included in a published Statement of Work.⁶² This Issues Paper is the first step in the current review process,⁶³ in response to which the AICD hopes to receive stakeholder views on the governance issues that are raised. The AICD's review is not limited to the issues contained in the Paper, and it would welcome comment on governance matters that you consider require particular focus, as well as any additional suggestions you have for improving the PMSA's governance arrangements.

While the purpose of the current review is for the PMSA to develop a workable set of governance enhancements within its existing constitutional framework, should stakeholders raise issues that potentially impact on the PMSA's Constitution, the AICD intends to inform the PMSA of these for the latter's consideration.

Issue 14 – Other Governance Matters

What other governance matters do you consider are important and the AICD should be particularly focusing on as part of its review?

[Please include any suggestions you might have for governance improvement]

⁶² Available at <http://www.pmsa-schools.edu.au/news?id=195>.

⁶³ As stated in Section 1, the AICD will also be gathering input from other sources (e.g. interviews, targeted surveys) and undertaking its own analysis of the PMSA's existing governance arrangements.

Appendix A - List of Issues

The Paper identifies the following issues for feedback. As stated in the Introduction respondents can choose to address all issues or a subset of these.

Issue 1 – PMSA Council Composition

What is an appropriate mix of skills, experience, qualifications and backgrounds for the PMSA Council?

Issue 2 – PMSA Council Size

What is an appropriate size for the PMSA Council within the maximum size of 15 members that is set out in the PMSA's Constitution?

[Please note that the AICD has been advised by the PMSA that this constitutional requirement, including the right of each Appointing Church to appoint up to six PMSA Council members, is unlikely to change]

Issue 3 – Reporting to External Stakeholders about PMSA Council Composition

What should the PMSA be reporting to external stakeholders regarding the composition of the PMSA Council?

Issue 4 – Maximum Tenure Period for PMSA Council Members

What should be the maximum tenure period, if any, for members of the PMSA Council?

Issue 5 – Clarity Regarding Governing Roles

What more, if anything, could the PMSA do to address potential confusion among stakeholders regarding the respective roles of the PMSA Council and the PMSA's School Councils?

Issue 6 – Powers and Responsibilities of School Councils

Are the powers and responsibilities given to each of the PMSA's School Councils appropriate?

Issue 7 – Composition of School Councils

What is an appropriate mix of skills, experience, qualifications and backgrounds for each of the PMSA's School Councils?

Issue 8 – Size of School Councils

What is an appropriate size for each of the PMSA's School Councils?

Issue 9 – Maximum Tenure Period for School Council Members

What should be the maximum tenure period, if any, for the PMSA's School Council members?

Issue 10 – PMSA Council Representation on School Councils

What is an appropriate level of PMSA Council representation on each of the PMSA's School Councils?

Issue 11 – Disclosure of School Council Composition

What should the PMSA disclose to external stakeholders regarding the composition of each of the PMSA's School Councils?

Issue 12 – How to Leverage the PMSA's Strengths

What more should the PMSA do to leverage the collective strengths of the organisation in pursuit of its mission, while at the same time enabling the PMSA's schools to retain their individual characters?

Issue 13 – Reporting to External Stakeholders

In what ways could the PMSA improve its reporting to external stakeholders on its group activities and the activities of each of the PMSA's schools?

Issue 14 – Other Governance Matters

What other governance matters do you consider are important and the AICD should be particularly focusing on as part of its review?

[Please include any suggestions you might have for governance improvement]

Appendix B - Glossary

ACNC – The Australian Charities and Not-for-Profits Commission.

AICD – The Australian Institute of Company Directors (<http://aicd.companydirectors.com.au/>).

Appointing Churches – The Presbyterian Church of Queensland and the Uniting Church in Australia Queensland Synod.

Corporate Office – The small centralised office within the PMSA that provides secretariat and administrative support to the PMSA Council and certain administrative support to the PMSA's schools (e.g. insurance arrangements).

PMSA Council – The body that, amongst other things, has overall responsibility for the governance of the PMSA and its schools.

PMSA's Governing Bodies – Include the PMSA Council, the PMSA's School Councils, the PMSA Education & Pastoral Care Committee, the PMSA Audit & Finance Committee and the PMSA Appointment & Remuneration Committee.

PMSA's Schools – Refers collectively to the PMSA's four schools: Brisbane Boys' College, Clayfield College, Somerville House and Sunshine Coast Grammar School.

PMSA's School Councils – Refers collectively to the four School Councils that the PMSA Council has established as Standing Committees to each oversee the operations of a different PMSA School (e.g. the Somerville House School Council oversees the operations of Somerville House).

PMSA – The Presbyterian and Methodist Schools Association (<http://www.pmsa-schools.edu.au/>).

Stakeholders – Include, but are not limited to: current and past students; parents of current, past or prospective students; donors; employees; the Appointing Churches; and the broader community.

Disclaimer and Copyright Notice

Copyright in this material (Material) is strictly reserved. No part of the Material covered by copyright should be copied or reproduced in any form or by any means without the written permission of the Australian Institute of Company Directors. Any disputes arising out of the Material are subject to the laws of the state of New South Wales, Australia. The Australian Institute of Company Directors endeavours to contact copyright holders and request permission to reproduce all copyright Material. Where the Australian Institute of Company Directors has been unable to trace or contact copyright holders, if notified, the Australian Institute of Company Directors will ensure full acknowledgment of the use of copyright Material.

The Material has been prepared for information purposes only and is not intended to embody any professional or legal standard. The Material does not constitute legal, accounting or other professional advice. While all reasonable care has been taken in its preparation, neither the Australian Institute of Company Directors nor any contributor makes any express or implied representations or warranties as to the completeness, currency, reliability or accuracy of the Material. The Material should not be used or relied upon as a substitute for professional advice, as a basis for formulating business decisions or reliance on your own judgment. To the extent permitted by law, the Australian Institute of Company Directors and all contributors exclude all liability for any loss or damage arising from the Material.

© 2018 Australian Institute of Company Directors and its licensors