Neighbourhood Houses Tasmania Inc.

Independent Review Commissioned by the Department of Premier and Cabinet

November 2022

Executive Summary

There is a fine balance in grassroots, community organisations between ensuring local voice, local people and local input are driving the work and support of Neighbourhood Houses while also ensuring the right skills, knowledge and behaviours are at the board table. Rigour in decision making, sound governance and a contemporary, safe workplace for the CEO and team to operate in are part of getting this balance right.

Like all evolving organisations facing a range of new challenges that an ever-changing global context is throwing at us, ongoing uncertainty can lead to pressures and tensions in many not-for-profit organisations.

Local knowledge and relationships are important and providing the right services and support to meet the complexity of needs in local communities continues to challenge government agencies and community organisations alike.

Over many years, Neighbourhood Houses (NH) have been the backbone of communities that are home to many Tasmanians who live with a range of income and poverty related challenges and disadvantage.

Neighbourhood Houses play an irreplaceable role in our communities and are the constant for many people in a world where not much else is reliable, stable, and consistent. But like major public institutions, small, medium, and large businesses and the broader community services industries in Tasmania, the recent local, national, and global events have resulted in even our most long-term organisations being tested and struggling to meet "purpose".

It has therefore been timely to review the governance of Neighbourhood Houses Tas (NHT). The peak body for the Neighbourhood House Network in Tasmania is an important overarching element of the fabric of Neighbourhood Houses and the interface between community, government, and the Network.

The last 3 years however has seen significant challenges in retention of CEOs and board members. There have also been broader challenges in maintaining trusted relationships with key stakeholders and government due to this high turnover.

This is not unique to NHT. The review has found similar challenges have occurred in other jurisdictions with the need for some level of independent review to reset the purpose, governance, and relationships.

The recognition by the current board in partnership with the government of a need for review is an important starting point for assessment of performance against the Not-for-Profit Best Practice Governance Principles.

This review has undertaken an extensive examination of the literature, the governance documentation of NHT and a comprehensive stakeholder consultation.

Three strong themes emerge that help to understand the current challenges:

1. There has been a lack of understanding and/or execution by successive NHT boards of their fiduciary duties and therefore legal obligations. This includes ensuring an organisation has clarity of purpose, mitigating risk of key person dependency, through to the critical relationship between a board and CEO.
2. There is a lack of shared purpose and clarity of the role and responsibilities of the peak. This has contributed to division between individual Neighbourhood Houses and division between the Neighbourhood House Network and Neighbourhood Houses Tasmania as the peak body.
3. The need for change management and transition support after the departure of the long-term CEO and then subsequently, the departure of the longterm Chair was not recognised, and the impact of these changes has underpinned many of the current challenges.

It is important to note that the term "NHT Board" throughout this report does not refer solely to the current board and is used collectively for the various iterations of board and board members over the last three – four years. While this review has been undertaken in November 2022, a range of factors that have led to the current situation and as highlighted above have been in play at a governance, organisational and Network level for at least three years.

The key findings are consistent with what most stakeholders articulated through either the survey and/or stakeholder interviews and it is unlikely to come as a surprise. The recommendations are also consistent with the views of most stakeholders. The need for constitutional changes, the introduction of more independent but still values aligned board members and a renewed approach to the shared purpose, role and structure of regional networks will go a long way towards a more united network.

There will need to be a period of transition and a period of letting go and moving forward. There will need to be both individual and shared decisions to work in the best interests of the peak body. The peak body is such a critical element of the valuable work of each House and that includes everyone that works in a paid or voluntary role in a Neighbourhood House. So, there is a collective responsibility to ensure it is given the opportunity to provide collective value to its members. To do so is to the benefit of all.

In a period so challenging globally and locally, there is nothing more important right now than ensuring people in Tasmania living on low incomes have a strong united voice to government and know that someone has their back. The collective power and influence of a shared voice on lived experience is diminished when there is disunity.

And once this occurs, the much needed investment in people, services, programs, and facilities is put at risk. As the current stewards of NHT and the Network more broadly, shared leadership and unity is the only way forward.

Key Findings

Summary

The key findings include an assessment against the AICD Principles of Good Governance for Not-for-Profits in conjunction with a detailed break-down across general and specific areas. As highlighted in the executive summary, while the generic term "the board" has been used throughout the report and key findings, this does not specifically pertain only to the current board, but to any/all directors who have held board roles over the past three years.

While the review is focused on the NHT governance, some findings relate specifically to the relationship between NHT & NH's and/or the NH regional networks. These relationships are both directly and indirectly related to the governance of NHT.

The combined departures of a ten-year tenure of CEO and Chair required a change management process for the organisation to successfully transition to a new CEO. The impact of this transition from a long-term CEO to a new CEO was, with hindsight, not well enough understood and has impacted the subsequent CEO's, NHT and the Network.

Key Findings against the AICD Principles of Good Governance for NFP

Purpose and strategy – the organisation has a clear purpose and a strategy, which aligns its activities to its purpose

While the constitution and strategic plan lay out the purpose & strategy, there are mixed views and knowledge of these across the membership. This includes the diverse views and definitions on community development, place-based and the range of activities that do or do not align with the functions of a peak body.

Roles and responsibilities - there is clarity about the roles, responsibilities, and relationships of the board

The current board demonstrates a good understanding of their role and responsibility. However, a range of fiduciary duties over the last three years have not been fulfilled with specific noting of the role and responsibility of the board and the relationship with the CEO in a range of areas including performance review and performance management.

In particular, the number of incidents of conflict that (a range of iterations) of the board were aware of without evidence of action being taken to ensure a safe work environment is considered a serious breach of a board's responsibility.

Board composition – the board's structure and composition enable it to fulfil its role effectively

The review finds the current board composition as outlined in the constitution does not provide best practice for the board to fulfil its role effectively.

The board requires a level of independence in conjunction with a range of skills, knowledge and experience relating to community development and place-based service models to enable good governance of Neighbourhood Houses Tas.

Board effectiveness – the board is run effectively, and its performance is periodically evaluated

While the desktop analysis finds scope of the governance documents are in place (although not up to date), the administration and application of these is questioned due to the current state of conflict between the peak body and some of its members. This ongoing conflict, while not between current board members, is impacting the effectiveness of this and previous boards.

While there is a meeting review checklist on the agenda at the conclusion of each board meeting, the review has found no evidence of the board comprehensively reviewing its own performance periodically.

Risk management – board decision making is informed by an understanding of risk and how it is managed

The review did not receive any evidence of the active use of a risk register or framework in any of the meeting documents the review requested. Given the high level of risk based on the conflict and uncertainty relating to the CEO, it would be expected to see the action use of a risk register. In particular, the lack of change management and/or risk mitigation at the resignation of the long-term CEO provides evidence of the inaction.

There is no evidence this principle has been met.

Performance – the organisation uses its resources appropriately and evaluates its performance

The review did not assess the use of resources as this was out of scope.

There is no evidence the organisation/board evaluates its performance.

Accountability and transparency – the board demonstrates accountability by providing information to stakeholders about the organisation and its performance

Overwhelmingly, feedback from stakeholders through the survey and interviews demonstrated the sentiment that there is a lack of accountability by the board to the members/stakeholders. While there is a range of structured and ad hoc communication, there was limited evidence of accountability beyond an AGM and annual report.

Stakeholder engagement – there is meaningful engagement of stakeholders, and their interests are understood and considered by the board

Feedback from stakeholders through the survey and interviews demonstrated the sentiment that the current situation of conflict has prevented and/or hampered meaningful engagement of stakeholders. There were mixed views on whether the interests of stakeholders are understood and considered by the board.

Conduct and compliance – the expectations of behaviour for the people involved in the organisation are clear and understood

There is a lack of conduct and compliance policies and the escalation of grievances and conflict over the last three years demonstrates this principle has not been understood by the board.

Culture – the board models and works to instil a culture that supports the organisation's purpose and strategy

The escalation of grievances and conflict over the last three years demonstrates this principle has not been fulfilled by the different iterations of boards during this period.

Key Findings – General

- There is a high level of disunity and distrust between the peak body and some of the member organisations and/or managers and/or chairs. The cumulative impact of this over several years without any strategies or interventions to address it has culminated in a highly disruptive operating environment.

- The structure and administration of the governance model, combined with a cumulative erosion of trust in the relationship between some of the members and the peak body has been a major contributor to the current situation.

- For those members not directly impacted, there is a high level of frustration and a desire to move forward and ensure the peak can thrive and fulfil its role.

- While this is impacting the current NHT board, the factors that have resulted in this level of disunity have occurred across several boards and CEOs over the last 3 years.

- As a result, successive CEO's have experienced a work environment that has presented insurmountable challenges in being able to perform their role. This includes a lack of performance feedback, review, or management by the successive boards within the employer/employee arrangements a CEO should be provided.

- It is not considered viable for NHT to continue to be governed under the current governance structure.

- While the review (and therefore the recommendations) is focussed on NHT governance, to successfully rebuild the relationships, trust, and respect across the peak and NHs will require all parties to engage with goodwill and good intent.

Key Findings - Structural

Board

The current governance structure is not serving the organisation or its members. The ongoing conflict is, in part, driven by perceptions in some parts of the Network there is lack of objective, skilled and knowledgeable directors.

Regional Networks

The Regional Networks approach and some examples of informal regional collaborations are contributing to the disunity.

Roles and Responsibilities

The core and non-core role of the peak body are not well understood or agreed by the members. This is contributing to the distrust and disunity by some members.

At times this is exacerbated by the funder requesting NHT to take on tasks/responsibilities outside of the remit of a peak body. In addition, the requirement of all Neighbourhood

Houses to be a member of NHT as a condition of their funding may also be a contributing factor.

Key Findings – Procedural

While there is evidence of a range of policies and procedures in place, there is limited evidence of the practical application of these by the board, relative to its role and responsibilities with the CEO. This includes a lack of performance management, performance reviews and ensuring a CEO has a safe workplace.

Key Findings – Cultural

Overall, there is a disconnect between the values and community development ethos upheld by the peak body and the members and the behaviour of some members (peak and network) over the last 3 years.

The review finds evidence of a range of behaviours over the last three years that are not appropriate and in a modern work environment. Many participants in the survey and interviews described an environment of alleged bullying and coercion, examples of undermining and other inappropriate communication and behaviours that has fuelled a culture of mistrust. This culture was across NHT and parts of the Network and not just related to NHT governance.

Recommendations

The following recommendations are underpinned by the need for a transitional period from "current state" to "future state."

1. It is recommended there is a two-year period allocated as the "transitional" phase to execute the range of recommendations. This ensures adequate time to undertake the constitutional changes, recruit and support the establishment of a new CEO, Code of Conduct, and re-establishment of the agreed core role of NHT as the peak.

2. Underpinning the recommendations below is the need to appoint, for up to 6 months, a highly skilled and experienced individual to undertake a "managing director" or "executive-director" type role. This role can then objectively and independently lead the constitutional change, CEO/Board recruitment and oversee the establishment of a range of reforms required including the Code of Conduct, Terms of Reference for the Regional Networks and agreed core role & responsibilities of NHT as a Peak Body.

    The rationale for the appointment of this interim role is in response to the loss of trust by some in the network and the need for action that ensure there is objectivity in the early implementation of the recommendations. It ensures independent, objective oversight of the governance functions as well as the priority operational elements.

    Even if a recruitment process for the new CEO commenced immediately, the timeline for recruitment vs the scope of work required on implementation of the recommendations would result in a delay in action. This is considered detrimental to all, including the current NHT staff. It also allows "clear air" for the new CEO who can then step into the role with a range of practical elements of the recommendations implemented and/or under implementation.

    In terms of background experience, the person appointed to this role will preferably be an experienced CEO and Director and/or Chair and therefore be able to apply knowledge and experience from day one. They will also need to be a skilled mediator and practised in change management and conflict resolution.

3. It is the recommendation of the review that this 6-month position be appointed by the Department of Premier and Cabinet and the individual would provide regular updates on progress of implementation including any barriers.

4. During this period, a minimum number of the existing board would remain in place with the appointee, in capacity as Managing-Director, taking on theIndependent Chair role. At the conclusion of the constitutional change, a new board would be elected. During this period, a minimum number of existing board members needs to be maintained to ensure the organisation is operating within the legal requirements of an Incorporated Association which includes what is contained within the existing constitution.

5. It is recommended the timing of this is to commence as soon as possible after the acceptance of the report, findings, and recommendations. There is a high level of expectation from the Network that the review outcomes will be the catalyst for change

and moving forward. It is important not to delay the commencement of the implementation of the recommendations.

Recommendations - Structural

6. Undertake constitutional changes to enable a skill-based board that provides a balance between directors drawn from member organisations and external, independent directors.

   The constitutional change needs to consider the governance expertise required due to increased complexity of multiple needs in communities that Houses are managing. This includes through the Community Care Advisors project and a range of day-to-day complexities and potential future projects of a similar nature to the CCA.

   The constitutional changes need to include contemporary methods of board recruitment. All NHT board members undertake training and stay up to date with the necessary knowledge, skills and legislation, including WHS, to fully undertake their fiduciary responsibilities as directors.

7. Establish an annual timetable of NHT Regional Network consultations with clear purpose through terms of reference including reference to the Code of Conduct (see recommendation 13). This engagement is designed to capture input into the Advocacy, Sector Development & Information Sharing needs of the regional networks to form and deliver on the core role of NHT as a peak body. Any local/regional Neighbourhood House managers meetings that take place informally or formally outside of the NHT consultations are a matter for local networks and not considered part of the NHT schedule of consultations.

8. Remove the requirement to be a NHT member from the NH contracts. This is to ensure NHT can provide the value-proposition to Neighbourhood Houses and manage the relationships within the Code of Conduct. Any functions "hierarchal" in nature are not allocated to NHT to undertake through any State Government contracts or initiatives. This does not include the core roles of a peak body including information sharing and/or bringing a shared view to Government through participation in working groups etc.

9. Undertake an initial "listening tour" with the Neighbourhood House members across Tasmania to re-establish shared purpose and alignment on the role of NHT as the peak body within the recognised definition of a peak body. This is considered a priority element of the resetting of culture and establishing shared purpose. It is therefore recommended this occurs as soon as possible and be led by the Managing Director.

   The agenda for the listening tour would include establishment of the shared principles for a Code of Conduct. At the conclusion of this process, develop a transparent annual agenda including clear communication points and a schedule of formal engagement opportunities across a 12-month period.

Recommendations - Procedural

10. The board of NHT need to have an up-to-date understanding and execution of their fiduciary responsibilities including performance management and annual performance review of the CEO and industrial requirements including providing a safe workplace. An annual program of training needs to be developed for the board to ensure it stays up to date with a range of governance duties.

11. A full set of up-to-date policies and procedures is developed and applied. A NHT Board induction kit and process is introduced to ensure all new board members are fully informed of policies, procedures and relevant information required to undertake their director role. (While the induction kit exists, many current and previous board members interviewed were not aware of it or did not have access to it.)

12. An annual assessment of the board's performance against the AICD Principles of Good Governance is undertaken. This can be undertaken by an internal process where the survey undertaken for the review is administered annually to the Network and the existing board members. This will enable measurement against the baseline data collected by the review to ensure evidence of improvement. Develop and apply best-practice tools and processes for the formal and informal engagement between the CEO and Chair/Board including performance review, performance management and overall wellbeing of the CEO.

Recommendations – Cultural

13. Development of a Code of Conduct across the peak body and the network it represents. The Code of Conduct should be rigorous in providing NHT with the option to suspend and/or discontinue membership of any members who do not operate in line with the Code of Conduct. Over the initial 2-year transitional period, the option to escalate any grievances raised through the Code of Conduct process to an external independent panel is provided as an option to ensure transparency, accountability, and trust in the process.

14. DPAC engage an external provider with specialisation in conflict resolution to provide an opportunity for individuals and groups to talk through their needs and establish strategies to enable people to let go of the past and be supported to move forward. It is recommended this is undertaken as soon as possible after the release of the review to enable all stakeholders to have access to the specialist support that may be required by some to move forward. The external advisor can provide advice following initial discussions on an appropriate program of support over the first 6 months of the transition period. Acknowledgement of all, including the peak, network, and individuals that a future united organisation requires all parties to demonstrate respect and trust in all behaviours and relationships.

Accountability, Transparency and Communication

15. The first step towards addressing consistency in accountability and transparency requires the role, responsibility, and shared purpose to be defined as outlined in the previous (structural) recommendations. It is recommended that a key component of the "listening tour" includes a focus on understanding, what the accountability and

transparency expectations are in line with the overall shared purpose and defined role. It is recommended an annual communications plan is developed to ensure all members know when and how key information will be regularly and consistently communicated.