



Building an effective governing body

THE ASK:

Structuring an effective governing body can be a challenging undertaking but it is essential for the success of an organisation and the delivery of safe, inclusive, and high-quality care to consumers. Factors such as the size, composition, skills, and internal dynamics are important contributors for building an effective governing body.

Disclaimer: The new Aged Care Act 2024 (the Act) starts on 1 November 2025. The Act replaces existing aged care legislation. The Aged Care Rules (the Rules) are expected to be finalised before the Act starts. The Rules give more information about how the new Act will work. This resource is in draft. We will update it when both the Act and the Rules come into force.

Covered in this topic guide

- Structuring a governing body.
- Governing body size and composition.
- Appointment and tenure.
- Governing body member remuneration.

Where are we now

Not many people understand aged care system. It is unlike any other system. It needs a particular personality that develops institutional memory. The boards of big corporates know what to do... Aged care [governing bodies] require a level of specialist knowledge. [It] can't just be a lawyer, [it] needs a specialist.

GOVERNING BODY MEMBER

Key concepts

The following high-level definitions are provided to assist in interpreting some of the key concepts discussed in this topic guide:

- The **charter** is a written policy document that is an agreement between the organisation and each member which clearly sets out (amongst other things) the role of the governing body, the roles, responsibilities, appointment, and removal of the members.
- A **responsible person** under the *Aged Care Act 2024* is, if the registered provider is not a government entity, any person who:
 - is responsible for the executive decisions of the provider
 - has authority or responsibility for (or significant influence over) planning, directing or controlling the activities of the provider.

For any registered provider (including a government entity) who delivers, or proposes to deliver, a funded aged care service, any person who:

- has responsibility for overall management of the nursing services delivered by the provider, or overall management of the nursing services delivered at an approved residential care home of the provider, and who is a registered nurse
- is responsible for the day-to-day operations of an approved residential care home or service delivery branch of the provider.

A person who is responsible for the executive decisions of a registered provider includes a member of the governing body of the provider.

- A **skills matrix** refers to a document that illustrates the collective skills and behaviours of the members of a governing body. It should set out the expertise, experience and background of members.
- **Tenure** of a member refers to the term in which a member serves that governing body.

Governing bodies in aged care

Governing bodies and executive leaders are responsible for effectively leading the provider through the complexities of reform. Navigating these reforms requires a unique set of knowledge, skills and experience of the sector to support effective oversight and decision making with high-quality, person-centred care at its core.

The skills and behaviours required for a governing body vary considerably, depending on the size, structure, strategy and the region in which the provider operates. There are a range of core skills and behaviours that governing body members and executive

leaders of providers need to have, individually and collectively, to enable them to bring the required levels of oversight, insight, foresight and hindsight as the sector reforms.

Story from the sector



Ensuring that the composition and structure of the governing body reflects the needs of the provider

KEY TAKEAWAYS

- While having a governing board member with clinical experience is now a requirement, all governing body members should ensure that they have a level of 'clinical literacy' and pay close attention to issues of clinical governance.
- The governing body should consider the skills and knowledge they need to build confidence to identify issues relating to care, ask the right questions and seek the right advice and support.

The Acme Community Services governing body is made up primarily of members with strong financial acumen and legal experience, including Jasmine, a new governing body member, who has a wealth of experience in financial and accounting roles. One governing body member, Jonathan, previously worked as a clinical nurse, and brings invaluable insight to governing body discussions centred around clinical and care issues. He also sits on the Care Governance Committee.

In their last meeting, the governing body received its regular Clinical Safety Dashboard, which is prepared by management. The Dashboard indicated an increase in consumer falls over the last month, which drew the attention of the governing body members and who asked management about why this might be the case. Management explained that they have been finding it difficult to balance protecting consumers against falls and upholding the consumers' wishes and their right to dignity of risk. They asked the governing body if they could provide their insights and guidance on how they could go about striking this balance.

Jasmine was not familiar with the concept of 'dignity of risk' and found that she could not contribute to the discussion meaningfully. She noted that the other governing body members were largely relying on Jonathan to carry the discussion and who, given his clinical experience, gave some insight to management regarding how this balance might be achieved. Jonathan noted that the governing body would keep these challenges in mind when they next receive the dashboard statistics.

Jasmine reflected on the lack of robust discussion among the governing body members in relation to this issue. She raised that it presented a good opportunity for the governing body members without clinical experience to develop their 'clinical literacy' so that they might be more helpful in discussions of a similar nature in future. As a result, the governing body took actions to:

- enhance induction processes to include reference to key clinical governance concepts
- spotlight a key care topic in each future governing body meeting with presentations from staff
- introduce a standing invitation to all governing body members to attend Care Governance committee meetings to become more familiar with key and emerging clinical issues.

Tips for building an effective governing body

Older Australians at the centre

- Governing bodies should represent the consumers they serve, which may be seen through the establishment of a Consumer Advisory Body.

Obligations and accountabilities

- Understand the applicable conditions relating to membership of the governing body.
- Ensure the governing body hold skills required to engage in effective decision-making in key areas (i.e. legal, financial, and clinical experience).

Knowledge, skills and experience

- Identify what technical skills the governing body needs to effectively oversee the operations of the provider.
- Ensure the skills matrix is reviewed and updated regularly, and that gaps are appropriately addressed.

Leadership and culture

- Build a diverse governing body that supports an open, inclusive culture into care planning, policies and processes.
- Consider the 'soft' skills that will be necessary for effective governance.

Reflecting on your practice



Think

Below are the top things you need to be **thinking** about:

- What are the core skills needed to deliver on our strategic objectives?
- Is our governing body the right size and composition to face reform challenges?
- How does our board composition reflect the nature of the day-to-day operations of the provider?
- Do we have the right skills mix to be able to ask the right questions?
- Am I familiar with the provider's operating environment, regulatory landscape, values and aspirations and how they relate to high-quality outcomes for consumers?



Ask and say...

Below are the top questions you need to be **asking**:

- Does the governing body have a skills matrix (or skills register) that captures all the skills, experience and capabilities that it needs to effectively oversee the provider?
- Is this skills matrix regularly reviewed and updated?
- Do we regularly review the performance of the governing body and are we able to identify any skill gaps that need to be addressed?
- Does the structure of the governing body reflect the culture, mission and consumer focus of the provider in the context of the reform agenda?
- What reporting systems do we have in place to oversee our committees, and receive insight from advisory bodies (e.g. Quality Care Advisory Bodies, Consumer Advisory Bodies)?
- Do we have an appropriate induction process for new governing body members?
- Do we have plans in place when the tenure of current members end?



Do...

These are the top **actions and behaviours** of leaders:

- Reflect on the size and composition of the governing body.
- Look for training and professional development opportunities to continue to develop skills to support the provider and consumers.
- Consider your tenure as a member and engage with the succession planning for new member appointment to ensure that a balanced skills mix is retained.

Structuring a governing body

Governing bodies have ultimate responsibility and influence over the care and service provided to consumers. It must have a mix of members with diverse skills, experience and expertise. Structuring an effective governing body is a challenging undertaking but essential for delivering safe, inclusive and high-quality care and services. The process can be a balancing act but is a critical process to ensure that the governing body provides effective oversight and strategic direction. The structure of a governing body will vary considerably depending on the size, structure, strategy, services and region in which the provider operates.

Based on the new reforms, governing bodies must have a majority of independent non-executive members and at least one member with experience in providing clinical care.

Note: The following approved providers are not required to meet the governing body membership requirements:

- government providers or local government authority providers
- providers with a governing body with fewer than 5 members and who provide care to fewer than 40 individuals.

If a provider is obliged to meet the governing body membership requirements but are unable to do so, they can apply to the Aged Care Quality and Safety Commission for a determination that one or both requirements do not apply (see section 159 of the *Aged Care Act 2024*).

Having a skills-based governing body

The most effective governing bodies have members with an appropriate mix of skills, experience and knowledge to ensure that the decisions made align with the principles of safe and high-quality care. Getting the balance of corporate and clinical governance skills in the composition of the governing body right can be critical to set up a provider for success.

The Australian government's aged care reform agenda require providers to; require stricter suitability requirements for governing board members, establish quality care and consumer advisory bodies and impose requirements regarding the independence of governing body members. To respond to these reforms, governing bodies should maintain a skills matrix (or skills register) to illustrate and track both the current and required capabilities to effectively govern the provider.

Having the right mix of technical knowledge and experience allows the governing body to ask the most relevant questions and identify specific risk areas appropriate to the delivery of aged care services. 'Must have' competencies for all governing body members and executive leaders in the reform environment include:

- Basic financial understanding (i.e. understanding and interpreting of financial statements and metrics).
- A good understanding of how the aged care sector operates, its markets, key stakeholders and the regulatory and policy environment.
- A good level of clinical understanding (i.e. key concepts such as antimicrobial stewardship (Standard 5 of the strengthened Aged Care Quality Standards), common metrics, and the clinical operating environment).
- A good understanding of aged care funding mechanisms.
- A clear understanding of the difference between governance and management roles, and the obligations and duties associated with being a governing body member.

Soft skills

The skills required are not just technical or professional qualifications associated with, for example, being a clinician, lawyer or an accountant. Whilst it's important to have representation of these skills on the governing body, interpersonal skills such as adaptability, conflict management, curiosity, the ability to self-reflect and put the needs of consumers ahead of your own; and agility is incredibly important. The reform environment creates uncertainty, requiring leaders to have the ability to lead through changes, explore scenarios and options and constantly monitor for emerging issues and risks.

Governing body size and composition

The size of a governing body will depend not only on the size of the provider, but should consider other factors, including the:

- complexity of the provider and its operations
- strategic direction of the provider, and the skills it will need to achieve this
- need for voluntary or independent non-executive governing body members
- number and nature of governing body committees and advisory bodies
- geographic location of the provider
- membership requirements, including at least one member with experience in providing clinical care.

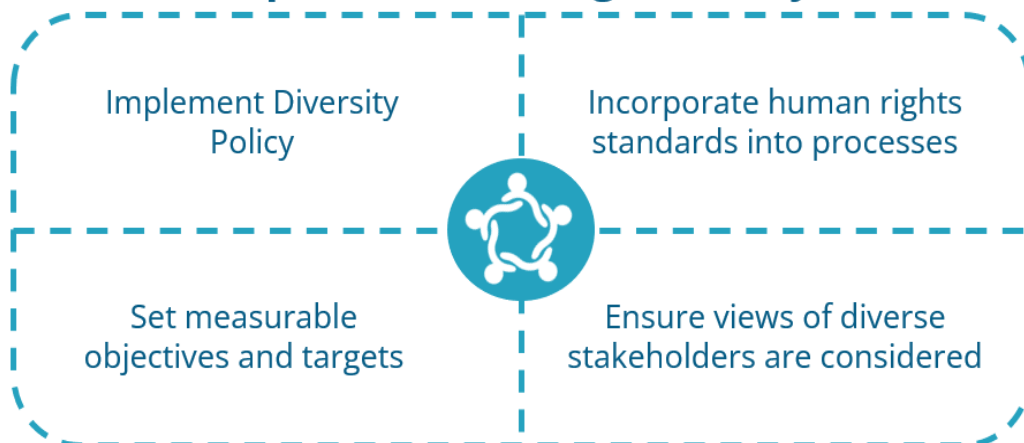
Governing body diversity

Diversity is a cornerstone to a dynamic and effective governing body that cooperates with key stakeholders, can respond to challenges and seeks to build long-term sustainable success. In structuring the governing body, a provider should consider the diversity of backgrounds, experience, expertise, age, gender and perspectives of its members and consumers.

Diversity in the composition of a governing body brings with it many benefits, such as:

- Optimising the governing body's ability for reflection and increasing opportunities to challenge ingrained ways of thinking leading to considered decision making and lessens the risk of 'group think'.
- Promoting the ability to bring an external lens to provider strategy and performance.
- Creating a stronger culture of authenticity and connection with consumers, employees and other stakeholders.

Tips for Promoting Diversity



Practical steps to follow

Practical steps for ensuring you have the right governing body size and composition include:

1. Identify the strategic direction for the aged care provider in the context of the reform agenda, for example:
 - What opportunities do the reforms present to the provider?
 - How will new legislation and regulations impact on how services are delivered?
 - How will consumer engagement approaches need to change?
 - How will the market for services change?
 - How will funding changes impact the models of care provided?
2. Consider whether the governing body is the right size and composition to face these reform challenges.
3. Identify the core skills needed to deliver on strategic objectives in the context of a suite of changes coming across the sector.
4. Develop a governing body skills matrix, which outlines the 'must have' skills, knowledge and behaviours required of individual governing body members in the context of changes to the aged care landscape.
5. Include any specialist skills needed to ensure an appropriate balance of technical expertise, for example – consumer advocacy, governance and risk, government relations, community representation, technology/digital systems, innovation, adaptive models of care, experience working in an environment of regulatory reform.

Identifying and addressing skills gaps

It is important to acknowledge that different providers will have different challenges when building a governing body. Certain providers (often smaller providers) such as in a community care model or a provider with a voluntary board in regional and remote communities may face the challenge of recruiting members with the right skills and behaviours.

As part of a governing body's process of reflection, evaluation and continuous improvement, it should be empowered to identify any gaps or blind spots in its skills and capabilities. Once those gaps have been identified, these can be addressed through:

- Outsourcing legal, accounting, and certain other technical tasks to professionals.
- Outsourcing other skills where needed (short-term), such as change management consultant, to support changes made in line with the sector reform agenda.
- Using governing body committees and advisory bodies (e.g. Care Governance Committee, Quality Care Advisory Body, Consumer Advisory Body) to bring in additional skills, and to support succession planning for governing body members.

- Implementing mechanisms to support the development and training of governing body members and leaders through formal training programs aligned to a skills matrix and individual levels of skill/knowledge.
- Developing relationships with other organisations and providers as a resource for new ideas and skills.

Appointment and tenure

Suitability of prospective members

The *Aged Care Act 2024* imposes limitations on the suitability of members of a governing body. It is the responsibility of the governing body to take reasonable steps to review the suitability of prospective members, including but not limited to:

- taking steps to ensure the individual understands their fiduciary and legal duties
- conducting background screening (including a police check, a bankruptcy search, conducting employment and referee checks)
- considering potential conflicts of interest and whether the member can act objectively and independently.

In addition to the strict suitability requirements, prospective members themselves should conduct their own research on the provider they are invited to join, to ensure the provider's vision and values align with their own and satisfy themselves that they are equipped with the requisite skills and knowledge to build effective working relationships with the rest of the governing body.

The appointment journey

The appointment process is determined by a provider's constitution and charter. However, beyond the appointment process itself, governing bodies should also consider what other factors in the induction and appointment journey will provide new members with the tools to succeed and help to build an effective governing body.

1

Letter of appointment – all new members should receive a letter of appointment setting out their role, responsibilities, and work commitments.

2

Member introduction – a well-structured induction should give the individual a chance to meet all responsible persons and understand the operations and strategic direction of the provider.

3

Provider briefing – new members should be provided with relevant information about the provider and copies of key documents including the governing body charter.

4

Organisation introduction – new members should have the opportunity to meet key management (such as the CEO and executive team), and staff and consumers.

5

Feedback – new members should be asked to provide feedback about the induction process to ensure continuous improvement of the process.

Tenure of members

Members of governing bodies are generally appointed for a fixed term, as set out in the constitution or charter. It is important for governing bodies to consider limiting the tenure of all members, to encourage new ideas, renewal and innovation to the strategic direction of the organisation. As a result of having fixed tenures however, governing bodies must actively consider and plan how they retain organisational knowledge, induct new members and continue to build and maintain a sustainable and effective governing body.

Governing body member remuneration

Remuneration for governing body members is complex and involves balancing the interests of several stakeholders. Attracting, motivating and retaining highly skilled members can be challenging given the high degree of responsibility and time required to fulfil the role effectively. Remunerating directors is one way of addressing this but is also difficult for many providers to afford. Any fee offered needs to properly reflect the responsibilities of the role and the nature of the provider. Whether your governing body members are voluntary or remunerated, all members have a responsibility to ensure all legislative obligations and responsibilities are met.

Large providers

Larger organisations will often develop a fee system that compensates governing body members according to the number of committees/advisory bodies in which they participate, and whether they participate as the chair or member. Some further issues to consider when setting fees is:

- the current policy regarding governing body fees
- the experience and knowledge of the potential governing body member
- the indicative level of remuneration being paid to governing body members of comparative providers
- the size and complexity of the provider and its operations.

Voluntary governing bodies

For smaller providers, governing bodies are generally acting on a voluntary basis and remuneration is often not offered. Voluntary positions are often entitled to claim

'reasonable' expenses, such as travel allowance if a member has significant travel time to attend meetings.

Not-for-profit providers

Although it is not strictly prohibited, governing bodies for not-for-profit providers are generally acting on a voluntary basis and remuneration is not offered. When a not-for-profit company is a registered charity with the Australian Charities and Not-for-profits Commission (ACNC), it must comply with the ACNC governance requirements. It is not uncommon for not-for-profit providers to provide remuneration details as part of the annual report to comply with ACNC Governance Standard 2.

Useful references

[Aged Care Act 2024](#) | [Australian Government Federal Register of Legislation](#)

[Strengthened Aged Care Quality Standards](#) | [Aged Care Quality and Safety Commission](#)

[ACNC Governance Standards](#) | [ACNC](#)

[Governing for quality aged care – A director's guide](#) | [Australian Institute of Company Directors](#)

[Provider governance](#) | [Aged Care Quality and Safety Commission](#)