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Manager
Philanthropy and Exemptions Unit
Indirect, Philanthropy and Resource Tax division
The Treasury
Langton Crescent
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By email: NFPReform@treasury.gov.au

Dear Manager

Development of governance standards – Consultation Paper

The Australian Red Cross Society welcomes the opportunity to provide a submission in relation to the development of governance standards which are to be made as Regulations under s45-10 of the *Australian Charities and Not-for-profits Commission Act 2012*.

Introduction

As summarised in the recent publication, “**A Year in Review: 2011/2012**”, Red Cross is a part of the world’s largest humanitarian organisation, through its membership of the International Red Cross and Red Crescent Movement (including National Red Cross and Red Crescent Societies, the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies).

In accordance with its Fundamental Principles, Australian Red Cross is independent of government and has no political, religious or cultural affiliation. Its vision is to improve the lives of vulnerable people in Australia and internationally by mobilizing the power of humanity. Its mission is to be a leading humanitarian organisation in Australia, improving the lives of vulnerable people through programs delivered and promotion of humanitarian laws and values.

The Australian Red Cross Society operates primarily in Australia, with some activities undertaken overseas in conjunction with other National Societies in the Federation, with the Federation itself or in other ways, such as through personnel on secondment to the International Committee of the Red Cross.

In addition to its work with vulnerable people in Australia and overseas, the Australian Red Cross Blood Service (as an operational division of Australian Red Cross) plays a central role in the health system of Australia, funded entirely by the governments of Australia.



Legal status

Initially established as a Branch of the British Red Cross Society in 1914, the Australian Red Cross Society ("Red Cross") was established as a fully autonomous body corporate by a Royal Charter issued in 1941. The Royal Charter has been added to and varied by a number of Supplemental Charters, most recently by a Supplemental Charter issued by the Governor-General on 12th October 2010.

In accordance with the Charter, Red Cross has made Rules with the approval of the Governor-General. The most recent Rules, as approved by the Governor-General, were made in October 2010. The Rules provide in detail for the governance of Red Cross.

Draft Governance Standard 2

Draft Governance Standard 2 provides as follows:

"Draft governance standard 2: Accountability to members

45.10 Standard 2—accountability to members

Object

- 1) The object of this governance standard is to ensure the accountability and transparency of a registered entity to its members.

Standard

- 2) A registered entity that has members must take reasonable steps to ensure that:
 - a) the registered entity is accountable to its members; and
 - b) the registered entity's members have an adequate opportunity to raise concerns about the governance of the registered entity.

Note 1 The steps that a registered entity may take to ensure it is accountable to its members include holding annual general meetings, providing members with an annual report (including financial information and achievements towards its purpose) and providing for elections for its responsible entities.

Note 2 The steps that a registered entity may take to ensure its members have an adequate opportunity to raise concerns include holding an annual general meeting with a question and answer session and providing an opportunity for members to propose resolutions and to vote upon those resolutions.

The standard speaks of accountability to members and, particularly in the Notes, refers to matters such as holding general meetings of members.

Submission – Draft Governance Standard 2 – Accountability to members

Reflecting its geographical spread throughout Australia, both historically and now, Red Cross has a model of election to the Council and to the Board which is similar to an 'electoral college' structure.



It is consequently concerned:

- to ensure that draft governance standard 2 permits its current structure to continue; and
- to ensure that the proposed standard is not to be interpreted as requiring direct election of all governing body positions from the membership as a whole, given that all governance members may participate in elections for the governing bodies of the Society (the Council and the Board) as explained below.

As an organisation which has always be firmly based on its members from its initial establishment in 1914, Red Cross is fully supportive of a standard which requires a registered charity to be accountable to its members.

However, there are a number of ways in which accountability can be achieved.

Red Cross submits that a diversity of models to achieve accountability should not be limited by the proposed standards. In this instance there seems to be no limitation inherent in the standard itself but it is possible that the guidance notes (both notes 1 and 2) could be seen as having that no doubt unintended effect.

Red Cross is governed by the Council and by the Board.

The Council meets annually and may have additional special general meetings. The Council has a number of functions under the Rules, including election of office bears, receiving and considering reports (including reports from the President of the Society and the Chief Executive Officer and the financial reports), certain other elections, amending the Rules and a range of other matters including a general power to consider any other matters which the Council may consider under the Rules.

The Board meets at least eight times a year. The Board is charged under the Rules with the responsibility of governing the Society and exercising the powers of the Society which are not required to be exercised by the Council. One of the major operating activities of Red Cross is the Australian Red Cross Blood Service. Under the Rules, it has a board which is appointed by the Board of Red Cross, with specific authorities in relation to the operations of the Blood Service. The modes of election of the Council and of the Board are explained in the following sections.

Red Cross has eight divisions; a division has been established for many years for each of the States and Territories of Australia. Consequently, the governance members of Red Cross are spread throughout not only the capital and regional cities but also throughout other regional and remote areas, in each of the States and Territories of Australia.

Governance members of Red Cross (who currently number approximately some 15,000 in total) are entitled under the Rules to attend and vote at each annual (or special) general meeting of the division of the Society where they reside.

The Council, which can have up to 53 members, is elected in the following way.



For each division, the governance members in the division elect a Divisional Advisory Board, which in turn elects:

- its Chair (who is thereby a member of the Council);
- three members of the Society in the division as members of Council; and
- a youth member of the Council from the division.

Consequently 40 members of the Council are elected in this way.

Up to 13 additional members of the Council may be elected in other ways.

- The Council may itself elect up to three persons as members of the Board and any persons so elected become members of Council. Another person is elected by the Council as the Youth Member of the Council; this person is also a member of the Board.
- In addition there are three office bearers (President, Deputy President, and Chair of the Audit and Risk Committee) who are elected by the Council and who are members of the Council and of the Board.
- The Chair of the Blood Service Board is a member of the Council (and of the Board).
- Up to 6 Special Councillors may be elected as members of the Council.

The Board can have up to 14 members. It is comprised of:

- the three office bearers and the Youth member (as elected by the Council); and
- the eight persons appointed by the elected Divisional Advisory Boards (each divisional advisory Board elects either its Chair or another of its members); and
- up to three additional members appointed by the Council; and
- the Chair of the Blood Service Board.

As will be seen from this description of the election and structure of the Council and the Board, there is a considerable emphasis in the Rules on members of the governing bodies coming from, and being elected by, the members of Red Cross. In addition, members have the opportunity to attend and participate in the divisional general meetings (which include opportunities for members to ask questions and be provided with information) as well as in the elections of the governing bodies. Moreover under the procedures of Red Cross as approved by the Board, the divisional advisory boards have an express obligation to act as a communication channel for the views of members in the relevant division to the Council and the Board and to report to members on priorities and activities of the organisation.

Particularly for registered entities which operate throughout Australia and have their membership spread across the whole country, such as Red Cross, accountability to members and participation by them calls for a diversity of structures and arrangements being provided within the guidance as to the operation of the 'Accountability to members' standard.



Red Cross submits that an appropriate note should be added to the proposed standard so that it is clear that accountability to members, and their opportunities to participate in the registered entity, may be satisfied through 'electoral college' style structures for the conduct of general meetings of members and the conduct of elections (amongst other possible structures).

Red Cross would be happy to discuss any aspect of this submission.

I may be contacted on 03 9345 1879, by email at bmoore@redcross.org.au or at the above address.

Yours sincerely

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