



## MEMBERS' QUESTIONS EXPLAINED

**Members are being asked to vote on four resolutions at the Extraordinary General Meeting. To help answer some the questions Members have asked during the Constitutional Sessions, we have set out responses to help explain the proposed changes:**

---

### WHY ARE MEMBERS BEING ASKED TO APPROVE A NEW CONSTITUTION?

On 27 September 2018, NSW State Parliament assented to a new RSL Act (RSL NSW Act 2018 (NSW)). The Act modernises the structure of RSL NSW State Branch, prescribing a model that enables transparent and best practice corporate governance. The changes proposed in the new Constitution reflect the required legislative change, but also extend the modernisation initiative across the League.

The modernisation is long overdue and is necessary for the repair of the League.

Some changes introduced by the RSL NSW Act (2018) will happen whether the new constitution is approved or not. These include:

- at least one independent director must be appointed (this will need to be early in 2019);
- the annual report must be lodged with the Minister each year;
- The State Council becomes a board and State Councillors become directors and there must be at least 3 but not more than 10 directors;
- the way RSL NSW executes legal documents will change; and
- the way conflicts of interest are disclosed is now legally prescribed.

The new Constitution will provide RSL NSW with the flexibility it needs to stay relevant and meet the demands of the charitable and commercial environments in which it operates. It will also support all members in their work meeting the League's charitable purpose. It will allow sub-Branches to choose whether they work relatively independently from ANZAC House, should they opt for a Model A operation, or become integrated into ANZAC House and be relieved of their administrative and compliance obligations while continuing to undertake commemorative, fundraising, welfare and community activities, should they opt for Model B.

The new Constitution:

- puts in place the governance structures needed to support compliance with the charitable fundraising legislation;
- removes the need for Trustees, who currently carry personal liability for breaches of legislation and regulations;
- will allow fundraising to recommence sooner than would otherwise be the case;
- puts in place a professional board of elected and independent directors, paid for their increased responsibilities; and
- increases the organisation's spending on its charitable purpose by reducing substantial administration costs and risks and improving returns on pooled investments.

The proposed Constitution is the result of many months' work by the team at ANZAC House in collaboration and consultation with a panel of Members from sub-Branches across the State.



## MODEL A

### What will the relationship between a Model A sub-Branch and ANZAC House look like?

A Model A sub-Branch will be a company limited by guarantee, linked to ANZAC House by virtue of RSL NSW's 50% shareholding in the company and a Charter. Model A sub-Branches will be named "XX sub-Branch Limited" and will retain their existing charter for so long as they comply with the RSL NSW Constitution.

Model A sub-Branches:

1. will be responsible for their own regulatory and legislative compliance in all areas, including charitable fundraising and lodging returns with all relevant regulatory bodies;
2. must meet the benevolence, administrative, governance and other requirements as set out in the Constitution;
3. will be required to pay an annual administrative services fee to ANZAC House to cover the cost of strategic League functions; and
4. will need to pay a charitable purpose contribution that will replace, but be generally aligned to the current tier donation/by-law 22 scheme (these amounts will assist them to meet charitable purpose commitments).

In exchange, Model A sub-Branches will have the right to use the RSL name and badge. In all other respects, Model A sub-branches will also be free to determine how they operate, invest assets, employ staff, and apply funds to meet their charitable purpose.

### Who can be a Model A sub-Branch director, and why do they have to undergo training?

Under the new Constitution, Model A sub-Branches must appoint between 3 to 5 directors.

Directors must be Service Members who have obtained company director qualifications as prescribed by the RSL NSW Constitution to ensure that they are fully equipped to meet their charitable and corporate responsibilities. Recently acquired equivalent qualifications may be accepted in lieu of further training. Directors may also be directed to complete ongoing professional development courses.

RSL NSW is investigating a competitively priced whole-of-organisation training program to be provided by suitably qualified and recognised providers for director training.

What will it cost to become a Model A sub-Branch? Will ANZAC House provide any assistance during or after the transition?

The cost of becoming a Model A sub-Branch will be approximately \$2,250 – comprising the costs of incorporating (\$750), and a basic insurance package (\$1,500). Insurance is already paid by many sub-Branches, so this is not an additional cost. Sub-Branches should note that the costs of insurance vary according to sub-Branch size, activities and asset composition. Sub-branches will also need to factor in the costs of any professional advice that they engage.

On the whole, sub-Branches choosing Model A will need to manage their own transition – ANZAC House trusts that those sub-Branches capable of running themselves as incorporated entities will be able to successfully navigate the hurdles along this path. Assistance from ANZAC House may be sought on an as needs basis.

### How will Deeds of Accommodation be managed where incorporation terminates the Deed?

ANZAC House will assist sub-Branches in negotiating a variation of the terms of such deeds on a case-by-case basis.



### **Can several sub-Branches without enough funds or potential directors merge to become a single Model A sub-Branch?**

Yes.

### **Can a Model A sub-Branch change to Model B later on?**

Yes. ANZAC House will support any sub-Branch wishing to transition from Model A to Model B as required.

## **MODEL B**

### **What will the relationship between a Model B sub-Branch and ANZAC House look like?**

Model B sub-Branches will effectively merge their governance and administration with RSL NSW and will continue commemorative, fundraising, welfare and community activities in their local area. They will also be able to work with ANZAC House on veteran and defence policy. They will continue to be named "XX sub-Branch" and will retain their charter for so long as they comply with the RSL NSW Constitution.

Day to day operations will be managed by the sub-Branch's management committee. ANZAC House will be responsible for:

- funding the costs of running a sub-Branch;
- legislative and regulatory compliance;
- property and asset management.

Once a sub-Branch opts for Model B, their assets will be transferred to ANZAC House and pooled with the assets of all other Model B sub-Branches. ANZAC House will be responsible for the investment and management of the assets and for ensuring that they are dealt with in a way that maximises returns and minimises fees.

The collective returns from these investments will fund the capital and operating expenditures of the Model B sub-Branches. The returns, in conjunction with returns from current investments of Anzac House and Hyde Park Inn revenue, will also be applied and will also cover the administrative and operational costs incurred by ANZAC House in running the charity.

### **How will Model B sub-Branches access funds?**

To access funds from the investment pool, sub-Branches must, on or before 30 April in each year, submit a budget describing their forecast operating and capital expenses for the next financial year for approval to ANZAC House's sub-Branch Budget and Expenditure Committee.

Once the budget is approved, sub-Branches will have the delegation to spend within their budget using a payment card without having to refer back for authorisation. If a sub-Branch wants to spend money over and above its approved budget, the management committee should contact ANZAC House for approval. ANZAC House will not be micro-managing each item of expenditure but looking at overall expenditure compared with budget and key compliance indicators, such as the percentage spent on welfare and commemoration.

Each sub-Branch will receive access to regular statements showing their expenditure against their allocated budget. The statements will also show how their original contribution of assets to the pool is growing.



### **What happens to funds raised by a Model B sub-Branch? How will they come back to the local community?**

Sub-Branches participating in the Poppy and ANZAC Appeals are doing so to raise money for RSL DefenceCare (RSL WBI). The funds will go directly to RSL DefenceCare, after which a portion of roughly 40% will go directly to the investment pool.

Regular fundraising (e.g. a Bunnings BBQ) for local needs and operations, or for RSL NSW generally, will go directly to the investment pool described above.

These funds can be used by the sub-Branch for its activities in the local community through the budget process, by budgeting each year to meet local welfare and commemoration activities.

### **Who will decide how funds are spent in the local community?**

Sub-Branches know their community best and will continue to make their own decisions on local expenditure to meet both the needs of local veterans and their families, and their responsibilities to fulfil the charitable purpose of RSL NSW.

### **How will ANZAC House manage properties included in the investment pool?**

Property management will be handled by ANZAC House in consultation with the sub-Branch, on a case-by-case basis, having regard to the nature of the property and community. ANZAC House will cover insurance under one policy, and other expenses, such as maintenance, through arrangements with local contractors. ANZAC House will be responsible for ensuring that all buildings are compliant and safe.

### **Will Model B sub-Branches retain their own members? Will ANZAC House be able to assign members wherever they want?**

All members will be members of RSL NSW, but each individual member can nominate a sub-Branch or sub-Branches to be attached to. ANZAC House will consult the sub-Branch or sub-Branches about the request and, once agreed with the sub-Branch, will approve the request. Once approved, the member's choice will be attached to their membership record.

Members can elect to be attached to more than one sub-Branch, but their voting rights in Board elections will be taken to be attached to the first named sub-Branch on their membership record.

### **How do Model B sub-Branches remain financially sustainable?**

Model B sub-Branches will always be financially sustainable because they are supported by and are part of ANZAC House.



## GENERAL QUESTIONS

### What happens to trustees under the new system?

Sub-Branch Trustees will no longer be required once transition to the new Model A or Model B has been completed. Either RSL NSW Directors or the new Model A Directors will carry the risks of investment and regulatory compliance.

### What fees and contributions are being proposed? Who will set the rates?

Three new contributions from sub-Branches are proposed:

- **Special Repair Contribution:** the repair contribution will be a one-off fee to cover the costs of resourcing and managing the transition of RSL NSW from the current Constitution to the new model. It will comprise 5% of each sub-Branch's liquid assets as at 31 December 2017.
- **Model A Administrative Services Fee:** The Administrative Services Fee will be payable by Model A sub-Branches each year in return for the provision of RSL NSW's strategic administrative functions and also the development, maintenance and preservation of the RSL Brand. The fee will be initially set at 5% of each Model A sub-Branch's gross income and will be subject to annual review. The fee percentage will not fall below 5% and can only increase if an increase is approved by an ordinary resolution of Delegates at the annual general meeting of RSL NSW.
- **Model A sub-Branch Charitable Purpose Contribution:** The Charitable Purpose Contribution will replace the current By-Law 22/Tier Donation scheme. The amount of the contribution will be in line with the monies currently payable by sub-Branches under the scheme.

### Why are the number of Regions being reduced?

Reducing the number of regions from 23 is required because the Regional Representative Council must meet as a formal body and vote on advice to be given to the RSL NSW Board, or to trigger an extraordinary general meeting if required. The new Regional Representative Council is both a check on the power of the RSL NSW board but also an important communications channel for regional and local member issues. 13 new regions will be determined by the agreement of current District Council Presidents, failing which they will be determined by the RSL NSW Board.

### What power will the Regional Representative Council have?

The Regional Representative Council will represent sub-Branches in their region and will manage member issues locally. The Council also has the power to call an Extraordinary General Meeting and will consult with the RSL NSW Board on issues relevant to the League and its members.

### How will Directors be chosen for the Board?

The Transitional Board will comprise the current State Councillors, until the next scheduled elections in 2020.

After the next scheduled elections, up to nine Directors will be elected by Members on a one-Member one-vote basis. No conflict of interest exists in the election process.

Any Independent Director(s) will be selected by the Board from a shortlist compiled with the assistance of an independent specialist. The appointment of the Independent Director(s) will need to be ratified by the Regional Representative Council.



## Why should the Board be remunerated? Where will the money for remuneration come from, and who will set the rate?

Given the size of the charity and the governance responsibilities of the Directors, particularly in light of the Bergin Inquiry and the new RSL NSW Act, paying the Board reasonable remuneration will ensure that the organisation can attract directors with the appropriate skills and experience who are able to devote sufficient time to the duties and responsibilities of being on the RSL NSW Board. The responsibilities of the new RSL Board are much greater than those of the previous State Council and include responsibilities for nearly 3,500 staff, 250 properties. It is vital to ensuring we can attract candidates with appropriate skills and experience.

The remuneration proposals enabled by the Act and set out in the new Constitution are critical to ensuring we can attract newer members to take on the responsibilities of office within the League. It will also recognise the significant risk a Board Member accepts when taking office in an organisation as complex as RSL NSW has become.

The money to pay the directors will come from a maximum aggregate remuneration pool covered in part by investment returns and in part by the annual Administrative Services Fee as well as cost savings.

The remuneration pool and any future increases must be set by members based on the recommendation of an independent consultant. John Egan of Egan Associates, a respected and highly experience remuneration specialist, was retained to provide the initial recommendation on an appropriate level of fees, independent of the State Council.

State Council has recommended to the Extraordinary General Meeting that the level of the fee pool be set at \$497,500 which is below the amount of \$600,000 recommended by John Egan.

A breakdown of the proposed fees is set out below:

	Base	Superannuation	Total
President and Chair	\$123,287.67	\$11,712.33	\$135,000.00
Treasurer	\$54,794.52	\$5,205.48	\$60,000.00
Deputy President	\$36,529.68	\$3,470.32	\$40,000.00
Elected Director	\$34,246.58	\$3,253.42	\$37,500.00
Elected Director	\$34,246.58	\$3,253.42	\$37,500.00
Elected Director	\$34,246.58	\$3,253.42	\$37,500.00
Elected Director	\$34,246.58	\$3,253.42	\$37,500.00
Elected Director	\$34,246.58	\$3,253.42	\$37,500.00
	<b>\$385,844.75</b>	<b>\$36,655.25</b>	<b>\$422,500.00</b>
Independent Director	\$34,246.58	\$3,253.42	\$37,500.00
Independent Director	\$34,246.58	\$3,253.42	\$37,500.00
	<b>\$454,337.90</b>	<b>\$43,162.10</b>	<b>\$497,500.00</b>



Delegates will be asked to approve the maximum aggregate remuneration pool, and any increases in future, at a general meeting.

A Director's right to be remunerated is subject to the Minister for Innovation and Better Regulation providing consent under the Charitable Fundraising Act (NSW) 1991.

**What will the impact of one member-one vote be?**

A one member-one vote system will be used for the election of the Board and will ensure that every member has a say in the election of the Board of Directors. Sub-Branches will continue to appoint delegates to vote at General Meetings

**Why isn't RSL National in the Constitution? Are we severing links, or will we remain a national organisation?**

The League is nationwide and represented by The Returned & Services League of Australia Limited (RSL National). RSL NSW intends to maintain its association with RSL National and references to this have been incorporated into the final draft of the Constitution based on feedback received from members.

**What will happen to Honorary Members, Life Members and Life Subscribers?**

Recognition of these awards will be preserved under the new Constitution.