

IHEA Letterhead

(Suggested Letter to Members)

Dear IHEA Member

## Revised Constitution of the IHEA

For the Institute to be successful it needs to continuously adapt and improve the way it operates. This is particularly the case in the area of corporate governance where community and stakeholder expectations and the external environment have changed enormously over the past ten years.

It is critical that the Institute is fully compliant with the Corporations Act but the current Articles of Association do not provide an adequate framework to enable effective and transparent compliance. The Directors are legally required to ensure we have good corporate governance in place, to do otherwise leave them personally liable for legal action.

The National Council, the Institute's governing body, has undertaken a review of the Institute's governance arrangements by consultants who specialise in corporate governance in the not-for-profit sector. As a result of this review it is proposed to establish a Board of Directors (formerly the Council) which would exercise many of the responsibilities and authorities associated with the current Council but would be more representative of the various members Australia-wide.

There have also been changes made to the membership categories which now better reflects the professionalism of the industry.

To assist you in understanding the changes that are proposed I have attached a member communication kit which also includes the answers to some of the questions that have been most commonly asked.

The changes will require amendments to the Institute's Constitution which will in turn need to be approved at the Annual General Meeting of the Institute which is to be held this year on the 7<sup>th</sup> September 2006 in Adelaide.

A formal notice together with details of the meeting and voting arrangements (including proxy voting) are attached. In the meantime please take the time to read the attached documents.

If you have any queries or concerns or just want further information please do not hesitate to contact myself, any of the current Council members or the consultant assisting with the review Mr Greg Bondar on 02 9546 4757 or email at [info@aminstitute.com.au](mailto:info@aminstitute.com.au)

Yours sincerely

**John Dransfield**  
President IHEA

# PROPOSED CHANGES TO IHEA CONSTITUTION

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## Introduction

In an effort to improve the effectiveness of governance by the Council and in order to clarify the identity of the directors for the purposes of company legislation, it is proposed that a Board of Directors be established to replace the current Council. A new Board of Directors, with membership similar to the existing body, would retain responsibility for major policy matters.

## Background to the proposed changes

Under the current constitution the IHEA's Council is the governing body of the Institute and performs the role of the board.

The Council is responsible for the management and control of the IHEA and all its members are deemed to be directors under the *Corporations Act 2001* (Cth).

This can create difficulties in that the current structure of the Council inhibits the effectiveness of its decision-making and members of the Council are subject to the various risks and responsibilities associated with being directors.

Whilst Council is effective as a sounding board and a means of engaging the wide range of Institute stakeholders, it has difficulty in effectively discharging some of its governance duties. The current arrangements lead to a situation where some members are unclear of their responsibilities and their potential exposure as directors.

There are some Council members who, whilst happy to provide advice and represent their branch interests, do not want to be exposed to the risks and responsibilities of being on the board.

The structure of Council makes it difficult for Council members to contribute effectively, to review, debate, provide insights into and ensure risks are managed in relation to the various issues that come before it.

Most effective boards whether commercial organizations or in the not-for-profit sector are no larger than ten or twelve.

## Overview of the proposed changes

### *The new board*

It is proposed that the current Council be replaced by a Board of 11 members. The proposed Board would be the governing body of the Institute and the members of the board would be directors. The Board would

exercise the responsibilities and authorities associated with the current Council.

Given that the IHEA is a national body the national membership should have a greater say in the election of its board.

The composition of the Board would though be similar to the current Council. The Board would comprise the President, the immediate Past President, the Vice President, Secretary, Treasurer and the Membership Registrar with the remainder of the six board elected by Institute members at the AGM as nominated by each branch. The size of the Board (11) would better assist in ensuring that the IHEA governing body represents the broad cross section of IHEA membership, the branches and the supply industry (corporate members).

It is proposed that members would be elected for two-year terms on rotation, with three of the six branch elected members retiring each year. In order to improve continuity it is proposed that the current restriction on the length of tenure of the Executive Committee of the Board (one year) would be removed and replaced by two years.

The existing provision for the establishment of committees would be retained to provide advice and support to the board as and when necessary. It is proposed that the Board of Directors would meet at least four times per year.

### *The new membership structure*

Under this proposal the new membership structure is divided in to two grades of membership – voting and non-voting. Voting members are either Fellows or members of the Institute whilst non-voting members will be the honorary, student, Associate and Corporate members.

This new structure will ensure that the professionalism of the Institute is maintained whilst retaining stakeholder interest in the Institute.

The following membership is proposed:

- § Voting and Non-Voting
- § Voting – Fellows and Members
- § Non-Voting – Honorary, Student and Associate members
- § Non-Voting – Corporate

## CHANGES TO IHEA CONSTITUTION CONTINUED

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The Constitution's provisions covering appointments to the Board are proposed to be strengthened. The objective being to ensure that members are appointed on the basis of their skills and ability to contribute, with a view to achieving an overall balance, representation and diversity and to ensuring that Board of Directors are prepared to serve for a reasonable period.

# PROPOSED CHANGES TO IHEA CONSTITUTION

A brief comparison between the current structure and this proposal is summarized below

	Current	Proposed
<b>Board/ governing body</b>	Council comprising up to 12 members elected by branches	Board comprising 11 members, being 5 elected by branches and 6 nationally
<b>Council /Board membership</b>	<ul style="list-style-type: none"> <li>§ President</li> <li>§ Vice President</li> <li>§ Treasurer</li> <li>§ Secretary</li> <li>§ Membership Registrar</li> <li>§ Max 7 Councillors Nominated by Branches and Member Elected</li> </ul>	<ul style="list-style-type: none"> <li>§ President</li> <li>§ Immediate Past President</li> <li>§ Vice President</li> <li>§ Treasurer</li> <li>§ Secretary</li> <li>§ Membership Registrar</li> <li>§ 5 Branch Representatives Nominated by Branches and Member Elected</li> </ul>
<b>Term</b>	1 year + 1 year	2 years
<b>Council powers</b>	Council has financial, contractual, HR and some corporate governance duties.	Board of Directors to remain responsible for major policy decisions: <ul style="list-style-type: none"> <li>§ changes to constitution</li> <li>§ membership standards</li> <li>§ code of ethics</li> <li>§ annual conference</li> <li>§ branch/organisation</li> <li>§ financial, contractual, HR, corporate governance duties</li> </ul>
<b>Meeting frequency</b>	3 times per year	4 times per year

## Next Steps

The proposed changes will require amendments to the Institute's Articles of Association and Rules. Under the Institute's constitution such changes require the approval of Institute members.

It is proposed to put these changes to members at the Annual General Meeting of members on September 7<sup>th</sup> in Adelaide, South Australia.

It is proposed that these changes come into effect as from the date of the meeting.

## Further Information

A sheet providing answers to some of the most commonly asked questions is attached.

Further information can be obtained from:

John Dransfield  
President IHEA

Or

Gregory Bondar  
Consultant to IHEA

(02) 9546 4757 or Mob: 0411 854 115

## CHANGES TO IHEA CONSTITUTION CONTINUED

### QUESTIONS AND ANSWERS

QUESTION	ANSWER
1. Why are we changing the Constitution?	The IHEA Constitution is being changed to improve the governance of the Institute through appointing a Board of Directors in place of the current Council. The management of the Institute's affairs will be vested with the Board.
2. How do I cast my vote - I can't get to Adelaide?	A formal notice of meeting will be sent to all Institute members well in advance of the 7 <sup>th</sup> September Annual General Meeting. The notice will include a proxy form and instructions on how to vote if you are unable to attend the meeting.
3. Why the rush to push this through?	The proposed changes are the result of a review which commenced in late 2005 by the current Council. During the review process Council considered a number of alternative structures before deciding upon the current proposal. We also sought experienced assistance in giving us the best model for the benefit of IHEA members. September 7 <sup>th</sup> was chosen as it is date of the Annual General Meeting and we do not think it is in the best interests of members to wait another 12 months for adopting these changes.
4. What is the current structure of the Council?	At present the Council performs the functions of the board and Council members are directors. The Council is made up of up to 12 members comprising <ul style="list-style-type: none"><li>§ President,</li><li>§ Vice President</li><li>§ Secretary</li><li>§ Treasurer</li><li>§ Membership Registrar</li><li>§ Up to seven branch representatives</li></ul>
5. What are some of the examples where the current system has failed?	<p>The current Council's structure makes decision-making cumbersome, particularly in relation to financial and operational matters, and limits the effectiveness of Council as a review body.</p> <p>The requirement for only three meetings a year means that a significant number of directors do not get to understand the Institute and their obligations as directors.</p> <p>It is difficult to ensure that all Council members are fully informed of the IHEA activities and are able to fulfill their duties as directors with only three meetings a year. There are limitations to the extent to which these duties can be delegated to IHEA management, committees and the like.</p> <p>Some capable people who have been happy to be involved in the Council's activities have been unaware of the added</p>

## CHANGES TO IHEA CONSTITUTION CONTINUED

QUESTION	ANSWER
	responsibility of being a director.
6. What is the proposed structure of the new Board?	The Board of Directors is proposed to comprise of 11 members, comprising the President, Vice President, Immediate Past President, Secretary, Treasurer, Membership Registrar and 5 Branch nominated and elected representatives.
7. Are there benefits in the existing structure?	<p>Yes, the current Council allows for larger branches to have more members elected to the Council.</p> <p>The new board will continue to be represented by branches but nationally members will have more say in the management and governance of the Institute as six members will be nationally elected to be on the new Board of Directors.</p> <p>The current structure of national committee's will continue. Committees will be appointed by the Board and will be responsible for advising the Board and the Council on matters within their charter.</p>
8. What are some of the advantages of the new structure?	<p>§ Improved governance of the Institute through a smaller more stable group of directors, who meet more frequently are better informed, better able to meet their legal responsibilities and able to make decisions more quickly.</p> <p>§ A separate Executive Committee allows this body to focus on the policy and big picture items, e.g. membership standards, input into the Institute's strategic plan, and things that affect the majority of members. The new structure allows a wider range of people to be involved in the Board of Directors.</p> <p>§ Board appointments are based on transparent criteria, more closely aligned to the Institute's overall needs rather than simply providing representation for groups within the institute's membership.</p>
9. What are the disadvantages of the new structure?	Very little. However, the new structure means that there will be 1 less person on the board of 11.
10. How do other similar organisations operate?	The move to a smaller governance body is consistent with other professional associations. A number of not-for-profit organisations rely on the branches to provide input into and advice on major matters of policy.
11. Have you considered other models?	<p>Yes, in arriving at the current proposal a number of alternatives were considered.</p> <p>One option considered was to increase the size of the Council to around 15. Whilst this would provide some benefits there is a risk that it would be at the cost of reducing the extent to which the branches, supplier groups and other IHEA</p>

## CHANGES TO IHEA CONSTITUTION CONTINUED

QUESTION	ANSWER
	<p>stakeholders are able to participate in decision-making. A second option considered was to expand the role of the Executive Committee. However this would be only partially effective as there are limitations to the extent to which Council can delegate its powers and responsibilities.</p>
<p>12. Will we lose all the history and go on to reinvent the wheel, with all new people?</p>	<p>No. The new board will include the IHEA President, Vice President, Immediate Past President and the executive members. There is no reason why the proposed changes to the constitution should lead to the appointment of all new people in these positions. The membership of the new board is similar to the current Council.</p>
<p>13. Will the suppliers / associates get proper representation?</p>	<p>The suppliers (corporate) group will continue to have the ability to be non-voting members, although, as noted above, the new board's role will be different. The new board will have the ability to appoint members based on skills.</p>
<p>14. Who will go off the old Board?</p>	<p>The answer to this question depends on how the new board uses its powers. There will be elections every year for three branch members in line with the requirement for 3 branch elected members to retire at each AGM.</p>
<p>15. Will my branch be represented on the new board?</p>	<p>Absolutely. Each branch has an automatic right to nominate and elect a member to the board. Five (5) of the eleven board members are directly branch elected. The remaining six (6) members are nationally elected giving branches a further say in the governance of the Institute.</p>