

## **Clubs New Zealand Submission – Incorporated Societies Bill**

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### **Introduction**

Clubs New Zealand Incorporated (Clubs New Zealand) is a not-for-profit, member led association representing more than 300 clubs around the country including Community Clubs, Cosmopolitan Clubs, Workingmen's Club, Sports Clubs, and Returned Servicemen's Associations (RSAs). Collectively our clubs employ more than 3,000 people and are a home away from home to over 300,000 club members.

Clubs New Zealand is a registered Incorporated Society (Incorporation Number 218850) and approximately 95% of our member clubs are also registered under the Incorporated Societies Act 1908.

The Incorporated Societies Act 1908 has been the backbone of many of our member clubs for over 100 years. The Act provides the means for clubs to establish a constitution of rules and by-laws for which the club and its members should abide and operate by.

However, mainly due to the age of the Act, it lacks the necessary guidance required in many areas of operating a modern membership-based club. It is now time to remove the uncertainty and improve the leadership needed by our club's governance.

Clubs New Zealand is supportive of the Incorporated Societies Bill and believes that for the most part it provides a commonsense framework of basic legal, governance, and accountability obligations for societies and those that run them.

### **Clubs New Zealand Submission**

#### **Part 3 – Subpart 3 - Constitution**

The matters to be contained within the constitution are more in-depth than the 1908 Act and all clubs will need to undertake a full constitutional review. Clubs New Zealand expects that smaller clubs are likely to struggle with the review process. Often they are run by volunteers and many of them would not be aware of their current constitution or obligations. Clubs New Zealand is aware of societies who have constitutions that have not been reviewed in excess of 20 years.

Clubs New Zealand provides its members with a model constitution which is regularly reviewed to ensure that it is fit for purpose. We will be reviewing this model constitution to ensure that it meets the requirements of the Bill. Clubs New Zealand submits that the Office of Incorporated Societies should look to provide guidance and resources to assist societies during the transitional period.



### **Part 3 – Subpart 4 – Officers**

Clubs New Zealand has always advocated for the expectations on officers to be clearer within the Act. The current 1908 Act is very light on information in regard to committees, officers, duties and arrangements for running societies. This includes a lack of committee composition, role and function provisions. Subpart 4 of the bill goes some way to fill these gaps.

In New Zealand, most committees are made up of volunteer members who have put their hands up to help their club. Clubs New Zealand would like to see within the Bill or Regulations a requirement for society officers to complete some form of training within 12 months of becoming an officer.

In NSW Part 6 of the Registered Clubs Regulation 2015 details the general training requirements for club governing bodies, club secretaries and managers of club premises. These regulations provide details of the required training which are:

- a) the courses entitled “Director Foundation and Management Collaboration” and “Finance for Club Boards” conducted by or on behalf of Clubs NSW, or
- b) the units of competency entitled “Implement Board member responsibilities—BSBG0401”, “Work within organisational structure—BSBG0402” and “Analyse financial reports and budgets—BSBG0403” conducted by an NVR registered training organisation (within the meaning of the National Vocational Education and Training Regulator Act 2011 of the Commonwealth) or any units of competency that supersede and are equivalent to those units.

Exemptions do exist under the Registered Clubs Regulation 2015 for small clubs.

A move to mandatory training will ensure that New Zealand’s society officers and emerging leaders learn about the complex role and responsibilities of an officer, as well as the important aspects of good corporate governance. Understanding of legislation, strategic and succession planning as well as compliance requirements, are essential elements for officers.

Clubs New Zealand has been offering its ClubSmart training programme to club committees for decades. We strongly believe that those officers who complete the training are better equipped to serve their clubs, and have a better understanding of their duties, responsibilities and liabilities than those that do not complete the training.

We also believe that trained officers will immediately lead to a reduction in behaviour that warrants enforcement under Part 4 of the Bill.

### **Part 3 – Subpart 5 – Members**

The Bill introduces Resolutions in lieu of meetings. Clubs New Zealand supports this new provision, especially in light of the recent challenges to clubs during the Level 4 and Level 3 Covid restrictions.

This provision will likely be of benefit to small clubs only as the requirement to have the notice signed by 75% of the membership would be almost impossible to achieve for a large club.

For example the Upper Hutt Cosmopolitan Club has a membership of 7,500. In order to utilise this provision the club would need to have the notice signed by 5,625 members. In comparison a resolution may be passed at a meeting of the Upper Hutt Cosmopolitan Club with a quorum of 50 financial members (0.67% of the membership).

Clubs New Zealand submits that this provision should be accessible to all societies taking into account varying membership sizes.

### **Part 3 - Subpart 7 – Accounting records, financial reporting and annual returns**

Clubs New Zealand has previously submitted in support of minimum accounting and audit standards being required of incorporated societies. We submit that these accounting and audit standards should be imposed on the basis of the turnover and assets of the incorporated society as is done under the Companies Act and the Financial Reporting Act 1993 as there will not be a one size fits all regime that would work given the large variance in size and activities of incorporated societies.

Clubs New Zealand notes that the Bill separates societies into two categories small or large for the purposes of Subpart 7. Section 97 provides the minimum requirements for financial statements for small societies and Section 98 provides that the annual financial statements of large societies must be audited.

A society is deemed small if in each of the 2 preceding accounting periods of the society, the total operating payments of the society are less than \$10,000; and as at the balance date of each of the 2 preceding accounting periods, the total assets of the society are less than \$30,000; and at the balance date of the accounting period, the society is not an entity described in section LD 3(2) of the Income Tax Act 2007 (a donee organisation).

Clubs New Zealand would be surprised if any of our member clubs would meet the above requirements to be considered a small club, therefore will be required to audit their annual financial statements.

We submit that the definition of small society is too limited and needs to be expanded as to not unnecessarily burden societies that should be considered small with the significant cost of auditing their financial statements.

Clubs New Zealand submits that sourcing a qualified auditor is becoming increasingly difficult for societies, especially those in rural areas. Auditors are reluctant to audit accounts due to the liability imposed upon them.

## Other comments

The Bill imposes more administration requirements upon societies. Clubs New Zealand is supportive of these administrative requirements however, we oppose the creation or obligation of fees in meeting these administration requirements. i.e. Clubs New Zealand would oppose the creation of a fee that is payable when notifying the Registrar of appointments and other changes relating to officers under Section 47 of the Bill.

Similarly, the Bill significantly enlarges the role of the Registrar of Incorporated Societies. Any enlarged roll will have to be paid for and given the nature of incorporated societies (i.e. not for profit) there could be issues if the societies are expected to fund this enlarged roll for the Registrar and supporting staff.

Clubs New Zealand submits that careful consideration must be given to the nature of societies and their not-for-profit status when setting fees.

A handwritten signature in blue ink, appearing to read 'Larry Graham', followed by a period.

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