



Clubs Australia

**SUBMISSION TO THE SENATE ECONOMICS COMMITTEE
DISCLOSURE REGIMES FOR CHARITIES AND NOT-FOR-PROFIT
ORGANISATIONS
26 November 2008**

Introduction

Clubs Australia¹ is pleased to provide further comment to the Senate inquiry into disclosure regimes for charities. The Hansard from the inquiry to date has prompted this further submissions as it has reflected the need to explore improved governance, transparency and accountability of charities and the not for profit sector.

As stated in our initial submission Clubs Australia would welcome any move to streamline the level of duplication that exists in State and Commonwealth regulations that govern the club industry, noting the significant difference in State and Territory regulations of gaming and liquor sales are justified. Clubs are unique in the not for profit sphere as they do not rely upon government grants or revenue and are highly accountable due to the governance requirements for the provision of gaming and the service of alcohol.

The Club Movement acknowledges the need to explore improved corporate governance for not for profit organisations that solicit funds from public or government sources, provided that any new measures introduced do not add to the compliance burden that clubs already face.

Industry Governance

As a group, not individually, club members are the owners of club assets but importantly, they do not have property rights to their share in the common funds that support the club's activities. They cannot sell their share, and when they cease to be members they lose their right to participate and receive no financial compensation in return.

In contrast, a non-mutual trading corporation is established and operated for the purpose of making profits for its shareholders. Such corporations trade for commercial gain and have no obligation to support community activities or contribute to local social services or infrastructure. Annual profits may be distributed to shareholders, who are free to dispose of their shares for value on the open market. Most corporations are not restricted to the principal purposes of providing services for members and assisting the community, but may trade at large with the public for profit. The public is aware that any profits from trading may be distributed to the corporation's shareholders. On winding up, excess assets of a non-mutual trading corporation are distributed to its shareholders.

In the case of clubs, any trading surpluses are held and applied for the benefit of the membership as a whole and, by extension, the surrounding community. In practice, surpluses are channelled into facilities to promote the club's purpose or to support its chosen cause or community services. These characteristics of clubs distinguish them from normal commercial trading entities.

Anyone wishing to become a member must be nominated and seconded by current members and have their application approved by existing members and the club's Board. This is distinct from the shareholder provisions for public companies in the Corporation Act.

¹ ClubsAustralia is a member of the National Roundtable of Not-for-Profit Organisations

Rights of Members (Shareholders)

Clubs exist for their members. While there are restrictions on becoming a member, generally these are limited so as not to create a major impediment for the general adult population to join their local club. The majority of clubs also try to keep joining fees low and membership criteria minimal.

In light of this, the shareholder rights provisions of ASX principles are not a suitable governance model for the clubs industry where mutuality and 'not for private gain' are the defining characteristics of ownership.

Serving the Interests of all Stakeholders

Club directors have significant obligations under a variety of legislation including the various taxation acts. However club directors must balance the myriad legislative impacts and ever increasing regulation along with financial imperatives, members' needs and community expectations, all in the context of a 'not-for-profit' organisation. This is arguably a far more complex governance challenge than that facing a corporation whose board has a single-minded focus on shareholder returns.

Training and Skills Development

Clubs Australia places the highest importance and priority on training and skills development. This is evidenced in numerous areas such as the development of the Club Directors Institute, the establishment of ClubsNSW's commercial consulting arm, ClubsConsulting, the promulgation of industry best practice guidelines and the development and circulation throughout the industry of regular management and training information. These training and skill development opportunities compliment the volunteer and employment roles available in the club industry.

As employers, clubs provide training for employees and volunteers including directors. In 2003, clubs in NSW alone spent \$22.4 million on training. Between 1999 and 2003 this figure grew by an average of six per cent per annum.

Training can be formal and include organised courses, seminars or classes, or informal such as on-the-job training, with expenditure fairly evenly split between the two (57 per cent formal and 43 per cent informal). Typically, larger clubs tend to place greater emphasis on training and skills development than the medium to smaller ones. In general, this is due to a greater understanding of the importance of training and skills development, and having more resources to invest in this area.

Targeted Approach

There are three distinct target groups for training and skills development across the industry, Club Directors, Executive Managers (Secretary Manager) and general staff.

Many State and Territory club associations provide training for example, through ClubsNSW Director Training Courses all current and potential club directors have the opportunity to access information, knowledge and skills that are required of directors to effectively carry out their duties. The basic Director Training Course provides clear guidance about the role of a director and their responsibilities.

The next level of director training is provided through the Club Directors Institute (CDI). Since the establishment of CDI in 2003 membership has now reached over 3,000 directors (from more than 500 clubs) from a complement of approximately 10,000 directors across the industry. CDI's main focus and objectives are on further improving the quality of corporate governance and decision making, particularly financial, across the industry.

In relation to managers and staff, the Club Managers Association of Australia (CMAA) is a registered training organisation with the NSW Vocational Education Training Advisory Board

and, in that capacity, has been a leader in training and skills development for all employees across the club industry. Typically the CMAA's approach and focus has been to develop skills and competencies at the operational level.

As a part of the CDI Pathways initiative and in cooperation with CMAA, a professional development pathway for managers has been created to help build essential skills and knowledge for effective club leadership.

The further development of a highly co-ordinated and cohesive approach to training and skills development is considered critical to the future growth and prosperity of the club industry.

In 1993 Southern Cross University established the Centre for Professional Development in Club & Gaming Management to offer tertiary programs in business management theory and practice geared to the club marketplace. The program to date has graduated over 450 students, many of whom occupy senior management positions in the industry.

In NSW the Independent Pricing and Regulatory Tribunal in a recent review of registered clubs in NSW recommended that club directors be required to complete two core training modules within 12 months of being elected or re-elected to a club's board. The core training modules will cover understanding financial statements and directors' duties. Efforts to implement this recommendation are underway.²

Much of the training provided is specific to clubs, involving the requirements of working under the relevant club acts and regulations in addition to being aware of the special rules for offering alcohol and gambling services.

Hospitality Industry Training

Clubs are significant training providers for the hospitality industry, especially casual and part-time labour. As such, clubs add important flexibility to the labour market providing valuable work and training opportunities, particularly for young people.

Many of the staff trained and employed by clubs move around the broader hospitality sector both locally and nationally. This improves the overall skill base available to the hospitality industry and leads to significant savings in training costs for smaller employers.

Opportunities for Volunteers

The involvement of volunteers is a defining feature of clubs, large and small. However, smaller clubs rely most heavily on people giving their time freely. Most small clubs simply could not open their doors without the work of volunteers.

The Australian Bureau of Statistics in a report on volunteering found in 2006, 5.2 million people aged 18 years and over participated in voluntary work at least once in the previous 12 months³. In NSW Allen's Consulting Group (ACG) estimated that in 2007 there were 44,000 volunteers participating in NSW clubs activities. This represents a fall in the number of volunteers in that state from 53,000 since 2003. In 2007 volunteers in NSW contributed around 6.3 million hours to their clubs. Since 2003, the total number of volunteer hours has increased by around 700 000 hours. This suggests that the average number of hours per volunteer has increased over time.⁴

ACG recognise this is a conservative estimate given the difficulties clubs have quantifying the contribution made by volunteers. Moreover, directors represent only a fraction of the

² IPART Review of the Registered Clubs Industry in NSW, June 2008.

³ Australian Bureau of Statistics, Voluntary Work, Survey 4410.0, 2006

⁴ The Allen Consulting Group Socio Economic Impact Study of Clubs in NSW (2007), Chapter 5.

volunteer complement. Each sub-club has its own group of volunteers, including coaches, event organisers, and many others who contribute their time and efforts.

The ABS found that nationally two types of organisations together claimed almost half of all volunteer hours; sport/physical recreation (26 per cent) and community/welfare (19 per cent). Together with religious (17 per cent) and education/training (10 per cent) organisations, they accounted for almost 75 per cent of all volunteer hours. These four categories were also the largest in terms of the number of volunteer involvements.

The ABS also casts light on gender variations. Male volunteers were most likely to be involved in sporting or recreational organisations. For females, community/welfare organisations involved the largest number. Although there were slightly more female (36 per cent) than male (32 per cent) volunteers overall, there were many more male involvements than female in the fields of sport/recreation and emergency services.

Clubs go to great efforts to recruit and retain volunteers. The AGC found in 2007 that in NSW clubs the number of volunteers is decreasing but the total number of hours that are volunteered is increasing. It is vital that the Senate recognise this challenge and ensure that the compliance burden applied to volunteers is sufficiently minimal to avoid discouraging new or existing volunteers from donating their time.

Conclusion

Clubs Australia's level of corporate governance, accountability, training and recruitment is well developed to effectively deliver club services to the community and to comply with the numerous regulatory commitments that clubs must meet. Harmonisation in some areas by the Commonwealth would be welcome, so long as duplication is avoided at the State and Territory level. A mutual recognition arrangement for not for profits, that operate at higher compliance levels such as company structures would be required.

Clubs Australia advocates a threshold for less compliance that reflects the reduced ability of organisations with low revenue and limited staff to maintain. The provision of online lodgement of financial and reporting requirements should also be encouraged.

Clubs Australia would be happy to discuss the information provided, should that be required, and is happy to provide further information upon request. The Committee Secretariat can contact Josh Landis, Manager – Government Relations on (02) 9268 3004 or jlandis@clubsnsw.com.au