

ORAL SUBMISSION BY THE NEW ZEALAND AMATEUR SPORT ASSOCIATION

Made to the Governance and Administration Committee

Select Committee Room 7, Parliament House, 18 December 2024

Thank you for providing this opportunity for an oral submission.

With reference to the 22 recommended amendments contained in our written submission, the Association would like to highlight the following three points:

- a. **we do not believe that the Incorporated Societies Act 2022 is fit-for-purpose for small, volunteer-led community organisations, a significant number of which are sport clubs;**
- b. **there is compelling evidence to illustrate that the compliance obligations of the Act will accentuate the risk of an extinction event affecting these organisations; and**
- c. **the loss of these organisations arising from regulatory dissolution will have a profound effect on the physical, social and mental well-being of New Zealanders.**

Before expanding on these points, we would like to emphasise that the Association's 22 recommended amendments are relevant to the subject matter of this Bill, which is "entirely of amendments to Acts".

Further, we note that the 22 recommended amendments are consistent with this Bill's principles and objects, as the Hon. Nicole McKee stated in introducing the Bill, that it is important for our legislation to be "fit for purpose".

Finally, we understand that the Association's 22 recommended amendments conform to Standing Order 266 (1) (f). In summary, there is no parliamentary reason why the 22 recommended amendments cannot be accommodated in this Bill.

Why is the new Act not fit-for-purpose?

The 1908 Act (which the 2022 Act replaces) had 36 sections and 11 regulations. The 2022 Act has 270 sections and 56 regulations, including the imposition of infringement offences and fines. The new Act is seven and half times larger, with five times as many regulations.

Bearing this in mind, we remind the Committee that the Association's submission on this Bill focuses on amendments to alleviate compliance obligations for clubs that make the conscious decision to re-constitute under the new Act to retain their existence. However, doing that, is in and of itself, a herculean task.

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For one community sport organisation which used the Companies Office "Constitution Builder" tool, the revised constitution had more than 8,600 words, (compared to 2,900 words), (double the text); 20 sections, compared to 12 sections currently, (67% larger in scope); and 22 pages, compared to 9 pages currently, (144% longer in content). In summary, more clauses, content and complexity all packaged in a framework which reflects obligations more commonly associated with companies and their directors.

While this framework may be suitable for (and reflect the risks associated with) an incorporated society such as the New Zealand Rugby Union run by well-paid professionals, it is not right-sized for the local rugby club operated by volunteers.

Why is there a risk of an extinction event?

Community volunteer-led organisations have not found it easy to comply with their regulatory obligations under the old, simpler, 1908 Act let alone grappling with the complexity of the new legislation and regulations.

For the three-year period from 1 January 2022 to 5 December 2024, over 1,100 incorporated community sport organisations were dissolved by the Registrar of Incorporated Societies, directly affecting over 230,000 Kiwi sportspeople, (based on the average club membership reported by the 2024 National Sport Club Survey).

Dissolution removes a club's statutory identity, exposing members to personal risk and limiting a club's ability to raise funds and enter into contracts. Involuntary dissolution principally arises from the inability of a club's committee to meet its compliance obligations.

Reflecting this troubling statistic, over the past five years, as reported by the 2024 National Sport Club Survey the average number of sport club volunteers has nearly halved, down 45% from 31 to 17. Moreover, the proportion of clubs reporting they are now losing money today, compared to 2019, has nearly doubled.

With around 7,500 community sport clubs in New Zealand, representing over eighty different sporting codes, we note that the total unpaid value of sport delivery by volunteers through clubs to local communities is estimated to be nearly \$1 billion per annum. This social investment is at grave risk.

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Fewer clubs and fewer volunteers, means fewer people positively engaged in their local communities in the pursuit of activities which define the Kiwi way of life.

What effect will this have on our society?

Without the 22 recommended amendments to this Bill, we believe that Parliament is hastening the unwinding of our social fabric. Without alleviating the compliance obligations for small societies, we believe that:

- the voluntary and involuntary dissolution of incorporated sport entities will accelerate
- the recruitment of volunteers to govern and administer sport clubs will be impaired
- the ability of sport clubs to deliver the physical and social benefits of organised amateur sport to local communities will reduce; and as a result
- the overall level of participation in sport clubs nationally will decrease.

In summary, our national sport infrastructure, relies on the delivery of sport through not-for-profit incorporated community clubs which cannot survive without volunteers, who are coaches, managers and administrators.

We believe, following feedback received from over 20 regional seminars undertaken over the past two years that the deterrent effect of not-fit-for-purpose compliance and regulation is a material factor in the collapse of our national community sport infrastructure, leading to a potential extinction event.

We are alarmed that officials have continuously denied that there is a problem, despite all of the evidence to the contrary.

We believe Government, employers and NSOs have a collective responsibility to arrest and reverse this trend, with this Bill being a specific opportunity to offer a remedy to, and right a wrong inflicted by, well-intended but poorly executed legislative reform.

ENDS