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PATRON: David Russell

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Social Services Select Committee Secretariat
Bowen House
Parliament Buildings
WELLINGTON

Attention Graham Hill

Dear Sir

CHARITIES BILL

The Federation is a collective of community organisations that share a common code of ethics, philosophy and commitment to delivering high quality, free budgeting advice to families and individuals. The Federation currently supports 158 affiliated, transitional and satellite budgeting services and is working with 11 other organisations seeking membership. The annual statistical returns reveal that within the affiliated budgeting services there are 647 volunteer and 186 paid active budget advisers and 404 other volunteers. As part of its objects the Federation supports its member organisations with resources, printed stationery, forms, pamphlets and posters promoting quality budgeting.

The writer is the Executive Officer and Secretary of the Federation and is acting under the authority of the Federation's National Committee in making this submission.

The Federation wishes to record its support for the transparency and accountability that is the stated intention of the Bill and for the proposal to establish a Charities Commission. However, the Federation has reservations about some aspects of the draft bill, as follows:

1. **Clause 23** of the Bill provides that every written communication sent by, or on behalf of, the entity and in or on fundraising materials on display to the public must clearly state the registration number. It is noted that there is no phase-in provision. What this means to a national organisation such as the Federation is that all forms, letterheads, pamphlets and posters that it has distributed to its members and to other community groups and individuals must be recalled if the Federation is to avoid the offence under Clause 24. Such a recall is totally impractical, if not totally impossible. While the Federation may be able to affix its number to any item it distributes from stock after being registered it cannot influence the use made of its communications and fundraising pamphlets and posters after they have been dispatched. Because there is no lead-in period Clause 23 is in effect requiring the Federation to do a reprint of all its material which would involve costs in excess of \$50,000.00. As a genuine charity the Federation cannot afford to absorb this cost.

The purpose for displaying the registration number seems to be to distinguish a genuine charity from any other entity that chooses to call itself a charity but could not satisfy the Charities Commission's scrutiny. It would seem therefore that because registration is voluntary and there will be no restraint on who uses the term "charity" the true charity must incur excessive costs because of unscrupulous behaviour by a minority. That is not equitable.

2. **Clause 16** of the draft Bill provides that there be a prescribed fee for registration and in consultation sessions it seems that fees will also be imposed for filing the annual return in accordance with Clause 54. The suggestion is that the Commission's operating cost be met entirely from the proceeds of these fees. There is a concept of public good and this is enshrined in many other pieces of

legislation when determining how costs are shared. The Government has always met costs of awarding tax exemptions through Inland Revenue and administering societies through the Ministry of Economic Development and still has stated intentions of using the Charities Commission to obtain information on the sector and to aid with social policy development, areas of public good that the Government should meet the cost of on behalf of the public of New Zealand.

Limiting the resourcing to the Commission to the extent of fees paid by charities suggests that the fees will need to be considerable or the functions provided by the Charities Commission kept to minimal levels with education and advice roles having low priorities. Neither of these options will encourage registration of genuine charities and will defeat the stated purposes of the Bill.

3 **Clause 66** provides that officers of registered charities carry personal liability should the entity fail to file annual returns (Clause 54) or notify changes (Clause 47). There is a growing tendency to impose personal liability on officers of all entities, including not-for-profit, voluntary sector. As a Federation we endorse the principles of the general duty of care and accountability but there must surely be a distinction between how Company Directors, drawing large fees and surrounded by “old-boy” networks and accessible professional services are treated to people who in the main volunteer their time, acting in a professional manner, for a common purpose and are often lucky to have their basic expenses re-imbursed for their activities.

Clause 66 seems incompatible with Government promises on volunteerism and will lead to a withdrawal of capable people prepared to give their time to governing not-for-profit community organisations. That will eventually lead to a reduced quality of governance of these charities and defeat the purpose of the Bill.

4 **Clause 54** provides that the annual return must be completed within 4 months after each balance date. Up until now incorporated societies had six months in which to convene annual general meetings to approve the statement of accounts. There is no justification for curtailing this time allowance which will create extra pressures and costs on charities for no apparent benefit.

5 **Clause 10** lists the functions of the Charities Commission and these are heavily weighted in favour of a regulatory role. Given the short-time frame envisaged for charities to register there should be a statutory obligation placed on the Commission to prioritise assistance to entities in this process. Many entities will discover that their registered rules are no longer worded appropriately to ensure registration as a charitable entity and these entities will need to convene general meetings to arrange for alterations to their rules. The Commission should be supplying templates for appropriate wording and maintaining a help-desk from which entities can seek confirmation of proposed amendments before they are forced into costly duplications of meetings to finally arrive at clauses acceptable to the Commission.

The Federation wishes to appear before the Committee. Twenty-five copies of this submission are attached.

Yours sincerely

Raewyn Nielsen
Executive Officer