

Review of the Constitution of Ocean Shores Country Club Information Session 8 July 2020 – Key Issues

Mr Gerard Robinson, Chief Executive Officer, Tweed Heads Bowls Club provided the following information to Members.

Current Challenges for Clubs

- Clubs are a business operating in a very difficult and highly regulated industry.
- Many Clubs are failing and then being forced to amalgamate with similar Clubs to be able to continue to operate.
- In NSW the number of Clubs has, in recent years, reduced from approximately 1,650 to 1,300 either by closure or forced amalgamations.
- More than 80% of those Clubs that closed their doors were Golf or Bowls Sports Clubs.
- In lots of cases where Clubs closed, they had 'dug their heels in', adopted a 'she'll be right' attitude, resisted any change.
- A Club must be able to derive profit from its actual sports activities.
- Another common feature of some Clubs that have had to close or amalgamate is that they failed to adopt best practice and failed to introduce changes that were relevant to industry trends.

What Clubs need to do to survive

- A Club must constantly update its practices to keep pace with the changing and challenging environment. To prevent insolvency adopting Best Practice as a minimum standard is absolutely essential.
- The Club Industry continually reviews Best Practice from a risk management perspective and makes recommendations for all Clubs to adopt.
- Some key elements of this Best Practice are:
 - Relevant and evidence based strategic planning
 - Balance sheet health and cashflow management
 - Innovate and introduce necessary change
 - Ensure compliance
 - Genuinely look after your people
 - Be united, supportive, courageous, honest and diligent when monitoring, measuring and managing the Club.

Election of Board Members: A change from Annual Elections to Triennial Elections

- A key Best Practice to manage risk to a Club is to change from a process where every year all director positions on the Board are elected, to a process where every year just one third of the director positions on the Board are elected.
- This is referred to as the Triennial Elections Rule.
- Annual General Meetings and annual election processes are still undertaken, however at that annual election process only one third of the Board positions are vacated and the election process that is conducted is just for those positions.
- When a Director is elected, they are then elected for a three-year term.
- However, as enshrined in the Constitution, members still have the right, at any time, to call for a General Meeting of eligible members to remove a Director.
- The Triennial Elections Rule results in the majority of the Board being retained each year and provides more stability for sound strategic and responsible management.
- Between 40 to 50% of Clubs in NSW have now adopted the Triennial Elections Rule.

Election of Board Members: How to change to Triennial Elections

- A Club's Constitution needs to make specific provision for Triennial Elections.
- In the case of Ocean Shores Country Club, if members vote to alter the Constitution to change from Annual to Triennial Elections, the transition to a Triennial Election Cycle will take a few years to finalise.
- There are a lot of examples from other clubs on how they have successfully transitioned from Annual to Triennial Elections.
- If the Triennial Elections Rule was adopted by the Ocean Shores Country Club, it would first come into effect for the election of Board Members at the Annual General Meeting in November 2021.
- Prior to that 2021 Annual General Meeting nominations would be called for the 8 Director positions. Members would vote to select 8 Directors. After the election is complete and the 8 Director positions are filled then a ballot is held to determine which of those elected Directors will serve for which term - either 1, 2 or 3 years. This ballot is held in the presence of the voting membership, there is no secrecy and no favouritism.
- This would then mean that at the next Annual General Meeting in November 2022 there would only be a maximum of 3 Directors positions up for election. That would be those Directors who at the ballot in November 2021 received the 1-year term.

Election of Board Members: Election to specific positions on the Board

- Another component of Triennial Elections adopted by some Clubs is that the members do not vote specifically for positions such as Chairperson, Deputy Chairperson or Treasurer. Rather members just vote for the Director positions and then it is the 8 Directors who are elected that then decide who will undertake the various roles such as Chairperson, Deputy Chairperson or Treasurer.
- However, in other Clubs members still prefer to be directly involved in the selection of the Chairperson, Deputy Chairperson and Treasurer positions. Also, the Ocean Shores Country Club Constitution makes specific provision for the election to positions on the Board of Golf Director and Bowls Director.
- An approach for Ocean Shores Country Club could be that all candidates nominating for the Board firstly nominate to become a Director. Should they also wish to stand for any of the official positions outlined in the Constitution (Chairperson, Deputy Chairperson, Treasurer, Golf Director and Bowls Director) then the candidate must also nominate for these positions. Then at the Annual General Meeting once the election of the 8 Directors has been finalised, if more than one of these selected 8 Directors have nominated for one of those official positions (Chairperson, Deputy Chairperson, Treasurer, Golf Director or Bowls Director) the members then further vote to select the Director to fulfil the position.
- The most important overall issue to consider is the potential benefits to a Club in adopting the Triennial Elections Rule. As between 40 to 50% of Clubs in NSW have already adopted the Triennial Elections Rule, there are already a range of available options of how best to operationalise the Triennial Elections Rule, which the Ocean Shores Country Club can consider.

General Observations during the Information Session

- The professional and corporate approach to having 3-year terms for Directors has attracted more suitable members who want to contribute to their Club.
- Succession planning is a vital element for strategic planning and a Club needs to nurture the knowledge, skills and diversity of their Board ensuring competency and continuity of direction with procedures and processes towards known goals. Constant turnover weakens business efficacy.
- Directors need to be astute as it is their responsibility to be aware that rationalisation is happening industry wide and that they need to keep pace with the changing and challenging environment. Directors must be

prepared to educate themselves about the Club industry and commit to diligently modifying practices, procedures and rules to keep pace with legislation and advice from ClubsNSW which is the industry guide. Adopting this best practice as a minimum standard is essential.