FINANCIAL RESILIENCE

Building strong, financially sustainable, modern clubs for the future

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CLUBS UNDER FINANCIAL PRESSURE

- Rising costs
- Shrinking revenue streams (cost of living crisis, membership decline)
- Increasing compliance expectations
- Growing demand for services and support

All are factors impacting a club's financial performance

UNDERSTANDING YOUR RISK

Financial resilience is not just having money in the bank for a rainy day, it's the ability to keep providing for your members and community into the future

Club Committees should consider these questions and answer them honestly:

- How concentrated are our revenue streams?
- How much, if any, of our income is certain?
- Are we protected if one of our revenue sources drops away?
- Do we know what our cash position is going to be in 6-12 months time?

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CASH FLOW

Cash is still KING!! Lenders will not necessarily borrow on assets, they will look at your Cash Flow first to determine if you can service the debt

Committees need to learn from the past, but remain forward focussed on what could happen not what has happened

A simple cash flow forecast (6-12 months ahead) can highlight any potential issues early and allow for planning, avoiding reactionary decision-making

Do committees understand their costs? What is fixed and what can be flexible and moved?

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DIVERSIFICATION vs DISCIPLINE

Look to diversify your income streams for success, not just for the sake of diversifying.
Ask this simple test: ***what are we trying to achieve by diversifying?***

Any diversification should follow these core principles:

- Aligned with the club's purpose
- Approached with commercial discipline
- Have the right levels of expertise available to support them
- Have clear criteria to measure success, and strategy to facilitate an exit if necessary

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ASSET RICH – CASH POOR

How often have we heard that phrase?

Committees, and lending institutions, have historically placed huge value on assets to indicate the financial health of a club

That is no longer **the** key criteria when it comes to financial institutions and lending. They are now more focussed on your cashflow and whether you can service any debt

It’s still ok to have a solid asset base, but are those assets really working for you? Is a disciplined, diversification plan perhaps a better option for your club?

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COMMITTEES UNDER PRESSURE

Periods of sustained financial pressure are where good governance really comes to the fore

Committees that respond well to these pressures, usually do these tasks consistently:

- Face reality early, rather than waiting for their hand to be forced
- Focus on the few critical decisions, not everything all at once
- Balance commitment to purpose with financial discipline
- Support management in a calm, constructive way
- Maintain clear boundaries between governance and operations

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COLLABORATION AND DIFFICULT CONVERSATIONS

Be realistic about creating long-term financial stability for your club. You might be better off operating and existing as you currently do – and there's nothing wrong with that

Be open-minded about collaboration with the club(s) down the road or in your area, make the most of shared services or it could be that amalgamation might be the best option for your clubs and your community, and the only way to retain your history

Forward looking committees will ask these questions when assessing the options available to them. They're hard questions to ask, but they are good governance:

- Where are there overlaps?
- Can we work together instead of competing with each other (especially prevalent in small communities)
- Would scale strengthen long-term viability?

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MINDSET SHIFT

Our unique place in society as member-driven community facilities heightens the importance of positive and disciplined commercial thinking to ensure clubs survive for future generations

Committees set the tone with forward thinking, disciplined financial strategies, understanding risk and remaining aligned with the core purpose of the club

Not-for-profit should never be confused with no-need-for-profit. Clubs should always look to be financially viable and sustainable

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PROTECT YOUR MARGINS

The age-old belief has been that clubs must be cheaper over the bar than a commercial venue. Whilst clubs don’t exist purely for profit, they still need to be financially viable

Cost pressures on clubs are the same as the pub around the corner – supply prices are roughly the same, wages are the same, operating and compliance costs are the same so why should our sell prices be different?

Most clubrooms across NZ are older buildings (some big in size) that require significant resources to maintain and keep operating. Systems (HVAC, electrical, AV etc) are obsolete which puts the club at huge risk should there be a major malfunction

The ideal of “keeping it cheap” does not fit modern business practices. Deferred maintenance and the ability to invest, upgrade, refurbish have all been diminished for the “supposed benefit” to the member of cheaper bar prices

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PERFECT STORM

Committees often face a ‘perfect storm’ of events – meeting the demands of club members who expect cheaper prices, whilst balancing the needs of the business. It is important to remember the committee’s legal and governance obligation is to the club, not the members

It’s a fact of leadership, that not every decision made will be met with universal approval, but good governance is having the courage to make those difficult decisions so long as they are in the best interest of the club

Committees must do everything they can to ensure the financial viability, sustainability and future of the club and ensure it can meet the needs of tomorrow’s members as well as today’s

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THANKS AND QUESTIONS

Thanks for tuning in to our first Webinar of the year

Keep an eye on comms for upcoming Webinars over the remainder of the year, including Keith’s session on Club Promotions in September. This will offer committees and managers an insight into driving revenues and putting your club on the path to financial resilience

What questions are out there?

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