

## Covid-19 Action Plan for Clubs

### PART THREE – A SUSTAINABLE FINANCIAL MODEL

The information below is based on a Case Study of events at a club in South Leinster through the last recession (2008 – 2010), to the present day. Between 2008 and 2015 the club lost 60% of its subscription income, with family memberships declining from above 280 to below 50 (many switched to individual memberships). The club was fortunate to have some excellent volunteers with solid backgrounds in the world of finance. They came together and developed what is effectively a **template sustainable financial model** for a tennis club.

#### Build your Model - Income and Operating Costs

**1.** Aim to have **good financial expertise and continuity** on your Committee or management team. This enables you to build your financial model, budget and manage your finances in the long term. A sudden drop in income can affect the club for many years. If you have a change in personnel, there needs to be proper handover. Minimum term for Treasurer should be 3 years.



**2.** Build ongoing **surplus and reserves** into your financial model.

**3.** Develop an **estimate of membership numbers** and subscription fees. Be conservative and work on a worst-case scenario.

**4.** Build the cost base around the level of estimated income. **Aim for a low-cost base.** Be “lean and mean”. Look at all your costs – both recurring and once-off. Start with the biggest items of expenditure. Ask:

- (i) Are there cheaper or more value-added alternatives for necessary services or costs?
- (ii) Are there better deals out there? Utilities, for example, need to be changed annually.
- (iii) Are all costs necessary? Do you use everything you are paying for? Could you function without the service or with a lower level of service?
- (iv) Are you using your costs efficiently? Could IT solutions make you more efficient?
- (v) Bargain with suppliers and ask for better deals and better terms and conditions.



**5. Fundraise** to supplement your reserves going forward and for capital expenditure.

The best low-cost models for business are built during recessionary times. When you come out of the recession, **your cost base is low**. Your annual income will start to exceed your costs and you can build up a surplus and increase reserves. Take care to maintain cost control.

#### Provide Direct Debit method for subscriptions

Offer direct debits to members for paying subscriptions. Once a member signs up to the process on an annual basis from January to

December, **the club has a degree of certainty and consistency** in its subscription income. This helps plan monthly cash flow, keeping you in good financial shape for the year.

### Debenture Programme

A Debenture Programme is worth considering. Debentures are instruments available to business lenders, allowing them to secure loans against a borrower's assets. It grants lenders a charge over a borrower's assets, giving them a means of collecting debt if the borrower defaults. For example - a club member offers the management committee €X to deliver a certain project, over an agreed term of 3 years with an interest rate payable to the member of 4%. It gives members an opportunity to invest in the club. **It's a much cheaper form of finance for a club.** You're not going to be able to borrow as cheaply from financial institutions as you can from your members.

From the members perspective, they are receiving a higher interest rate than from a bank deposit. The club in question offered between 4 and 5% and the debentures are raised from three to seven years. If implementing, make sure to spread your debentures over a number of years to allow you to repay your capital.

### Annual fundraisers

Run fundraisers annually. This consolidates and strengthens your financial position. **There are lots of options.** The club will need to decide if it has the resources and support to hold regular smaller events, or opt for one big event.

### Grants

Central and local government grants can help with **Capital Expenditure**. Many clubs get grant assistance for the installation of LED Lights and new courts.

### Top 5 Pointers – What to do now

**1.** Be honest with your membership base and emphasize your club ethos. Tennis clubs need to distinguish themselves from gyms and other profit-making clubs and fitness venues. Due to the Covid-19 related closure, members will look for subscription refunds and reductions. **Remind**

**your members that they own the club**, they have a say in running the club and it is a community-based facility. Appeal to their loyalty – *“at this time more than ever, we need you to continue supporting your club”*.

**2.** Keep your existing members engaged to maintain their interest and loyalty in the club. Look to build your membership base. Tennis as a non-contact sport with natural social distancing is **an attractive option post Covid-19.**



**3.** Begin to **cut costs now** in preparation for lower subscription income next year. There is no doubt next year's subs are going to be lower than this years.

**4.** Examine any under-utilized assets – e.g. the clubhouse. Examine **other sources of income** outside of membership income.

**5.** If you have a bank loan start talking to your bankers **now**. Consider a member debenture programme.

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