

Business Health Check Reviews

Some Common Issues

Over the past 4 months Cutcher & Neale have carried out Business Health Checks on a variety of Registered Clubs state wide as part of the ClubsNSW ClubBiz Scheme.

In the process of preparing these reports we noted a number of common issues which may be significantly impacting the profitability of many clubs, these included:

1. No documented business plan existed.
2. Lack of effective budgetary control.
3. Key ratios were not reported or monitored on a regular basis.
4. Periodic and accurate financial statements were not being prepared and presented to the Board.
5. Computer hardware and software was often out-of-date, under-utilised and there was an absence of an understanding of security issues that are necessary to maintain the integrity and security of computer systems.
6. E-commerce was not being used, nor was email in place.
7. No written marketing plan was in place.
8. Give-aways and other promotions initiated were not being appropriately measured to ensure their cost effectiveness.
9. Bar trading operations lacked appropriate controls.
10. Poker machine trading operations lacked adequate reviews as to performance of individual machines and timing of replacement of non-performing or aging machines.
11. Overhead costs were not appropriately monitored so that each item of expenditure was under regular review to determine whether other options were available.
12. Bowling clubs and golf clubs, in particular, were under financial pressure as a result of high costs of maintaining greens. Options were not always considered as to how costs could be reduced.
13. Few clubs had formal strategies in place in relation to amalgamations with other clubs.
14. Regular reviews were not conducted as to whether there existed non-performing assets or assets that were under-utilised by the club.
15. Most bowling clubs and RSL clubs operated under lease arrangements rather than having ownership of the real estate upon which the club operated.
16. No documented procedures manuals existed in relation to accounting procedures, operations or human resource management issues.
17. A formal training needs analysis for staff and directors had never been completed.
18. Directors were not receiving appropriate training given their increasing corporate governance responsibilities.
19. Constitutions were out-of-date and in need of revision in the light of current applicable legislation.
20. Many clubs had not undertaken a formal feasibility study as to whether TAB should be acquired by the club.
21. Few clubs had adopted the concept of packaged holidays in partnership with other service providers.
22. No long term planning existed for the upgrade of existing premises and future potential of their sites e.g. motel, functions room, etc.
23. Where clubs provided dining facilities in-house the Manager of the facility was rarely held accountable for the trading performance eg. no budgetary controls exercised, key performance ratios not addressed, etc.
24. Clubs rarely considered visiting more successful clubs to get new ideas.
25. Capacity to stand for key Board positions was often controlled by a minority of the membership e.g. bowling clubs and RSL clubs.

continued overleaf



Business Health *continued*

It is apparent from the Health Checks already carried out that these are key profitability issues which are currently going unnoticed by a large number of clubs. Should you require further information on these factors and how they can be addressed Cutcher & Neale are

holding a seminar on the 7 May 2003 at Swansea RSL. If you are unable to attend this seminar please feel welcome to contact our Registered Clubs Division and we will send you a more detailed analysis of the issues discussed in this article.

2002 Survey Results

How Do You Rate?

Cutcher & Neale have recently surveyed the 2002 Annual Financial Reports of clubs within the Newcastle District Bowling Association. From information contained in these reports we were able to identify trends and areas for concern within the following:

- Bar Trading
- Poker Machine Performance
- Total Revenue and Expenses
- Profitability
- Working Capital

These findings will be discussed at a seminar to be held at Swansea RSL on the 7 May 2003.

We are now looking to examine trends evident in other registered clubs and would appreciate if **non bowling clubs** could send a copy of their Annual Financial Reports for the 2001 and 2002 period. It would be appreciated if full copies of the reports were sent rather than concise versions as these do not contain

detailed financial results from each trading area.

Clubs who participate in this survey will receive a report showing our analysis of the trends in key performance indicators across the industry. This report will be a very useful guide for Directors and Management to assess the performance of their own Club against industry benchmarks.

If you are interested in taking part in this survey please mail your information to:

Nick Nancarrow
Cutcher & Neale
PO Box 694
NEWCASTLE NSW 2300

If you require any further information please do not hesitate to contact Nick on:

(02) 4928 8500 or email
nick.nancarrow@cutcher.com.au

Did You Know

- There was an increase in expense related allowances under the Club Employees State Award of 1.4% which reflected a CPI increase over the last two quarters. Variation to take effect from the first full pay period after 13 February 2003.
- A recent change to CDSE guidelines for 2003 is that funding for medical research is not recognised as Category 1 expenditure, they are however allowed as Category 2 expenditure.
- As of the 30 June 2004 all current club staff responsible for serving liquor must have undertaken Responsible Service of Alcohol training.
- Under Clause 29 of the Gaming Machines Regulation 2002, registered clubs are prohibited from cashing third party cheques for a patron.
- There has been an increase in the Club Managers (State) Award.