



WAYS OF RAISING FINANCE

Written in October 1996 (*reviewed June 2011*)

This document aims to look at the ways a Club Committee can consider raising finance for major projects. It cannot be emphasized enough that it is essential to seek good professional advice before undertaking major financial transactions. You as the Secretary are not expected to be a financial expert and particular attention should be taken with VAT and Income Tax.

There are numerous ways of raising money in a club, some are to be recommended but others should only be approached with caution. Listed below are some of the ways a club could consider raising finance and the implications of each particular way. In all cases we are looking at the Private Members Non-Profit Making Club not the Proprietary Club. It also assumes the club has studied the obvious - that there is little or no scope for increasing the overall membership. This might be the answer if the club is extending from 9 to 18 or 18 to 27/36 holes when an increase in membership along with entrance fees can provide much of the finance. If the membership is substantially increased you would need to bear in mind that the clubhouse and other services may also need extending. Before deciding which avenue to take in raising finance bear the following in mind:

What is the Club's current financial position with regards to borrowing. If the club has currently none then it may well be that most of the money can be raised through the members. On the other hand if the Club already has substantial borrowings then you will need to study the implications very thoroughly. A rough rule of thumb is that any commercial borrowings ie bank loan, mortgages or such like borrowings should not exceed the annual turnover. Repayment of borrowings will obviously be governed by what they have been required for. If for instance it is to buy or extend the course or a new clubhouse then these could be paid off over a 20 year period, whilst extensions of existing clubhouse facilities should be paid off over no more than 10 years.

Compulsory Levy on Each Member

This is often the easiest way to raise money but often avoided by committees because they lack the moral courage to get the membership to back the scheme at a Special Meeting. There is no short cut in a compulsory scheme you must get approval from the members. It is also important to define methods by which any members who may be hard pressed to find the amount in a lump sum can pay it over a set period. A £100 levy paid in four stages of £25 seems an easy amount to find, as against the full amount in one go. Most clubs will vary the levy within the different categories of membership. The funds are raised in the year they are required and the club does

not make any provision for the repayment of them. There will be no taxation and no Vat payable by the members.

Against this you should realise that unless you make some provision, new members joining after the first year will make no contribution. This can be avoided by making an appropriate increase in the entrance fees or by simply charging each new member the levy in their first year. The total amount raised will often only be fairly small although this will depend on the type of members and the maximum amount they agree to pay. The other way round this is to have a levy of say £500 payable over five years which, depending on the cost of the project, may be a way of completely paying for it over this period.

This method is well worth investigating thoroughly. Look at all the options but remember you have to sell it to the members so great care must be taken in preparing the presentation.

Interest Free Loans - Compulsory or Optional

Many clubs have used this method in the past with varying degrees of success. Some clubs have a compulsory interest free loan of either £50 or £100 for each member, which is repaid on leaving and new members are charged the same amount. It is a very cheap way to borrow money but human nature being what it is you will be very lucky if the members agree to a very large amount. To raise more, clubs offer a reduction in subscriptions usually in line with interest rates. You must however take into account that if the loan is compulsory and the subscription is reduced according to the amount loaned, the club will be affected by VAT under partial exemption and it is essential you obtain professional advice on the implications of this. In most cases the interest or subscriptions lost will have to be added to the Club's exempt income and this will make a fairly large difference unless you come under the annual 'de minimis' limit.

A voluntary scheme will not affect the VAT and may well encourage the wealthier members to put up substantial sums whilst those unable to do so will not have to come cap in hand asking for ways of paying it. There is normally no stamp duty to pay on these and they are normally repayable on a period notice or on demand in exceptional circumstances. You should have documentation drawn up by your legal adviser but invariably they are not secured against the assets of the club because this may well inhibit further borrowing from a bank should it be needed. Many clubs start repayments after an agreed number of years and in any case it is good housekeeping to put by reserves annually for this eventuality.

Recently I came across a scheme in which a club, as part of the deal, gave vouchers which members could use for visitors green fees. Although an interesting and somewhat novel idea I felt it was probably easier to simply give a reduction in the annual subscriptions. Furthermore the club would have to account for VAT on the amount of green fee income lost through this method. You would have to calculate carefully the amount of subscription income lost through this method which would almost certainly have to be replaced by those paying the full amount of subscriptions. The average club with 400/500 members would be unlikely to raise more than probably £200,000 by this method and in most cases less than half that figure unless they have a very wealthy membership.

New Issue of Shares or Debentures

To do this the club would have to be a Limited Company with a share capital. Certain types of Debentures can be issued by a company limited by guarantee but you will need to take legal advice on this. Private Members Clubs would not normally take this path and it should also be noted that if further shares are issued there must be a policy of buying them back in the club when members leave. If this is not properly thought out the eventual ownership of the club could pass out of the hands of the members. Only proceed along this path after getting good professional advice.

Special Grants or Loans from Sporting Bodies

The following organisations may well be prepared to help you in certain instances:

The Royal & Ancient Golf Club (R&A)

Normally only for the purchase of an existing course, extension of the course or provision of practice facilities and irrigation. They will only provide a percentage of the money required.

When a club applies, they are sent a pro-forma by the committee and they are asked to complete this giving as much detail as possible. The reason for this is to ensure that the club is taking steps to raise the money and is not just relying on a grant from the R&A, and also that it really does need outside assistance, which is the reason for asking for details of its balance sheet, so that the committee can see the level of reserves.

The demands are enormous and the amount of money available is limited. For further information contact The Secretary, R&A, St. Andrews.

Sports Council

Will provide grants and loans in certain instances for the extension of playing facilities (they would generally expect to see the general public allowed to use them or a substantial increase in membership).

All applications are assessed on merit and limited funds are available. The following statement has been issued by the Northern Region Sports Council as a guide for Capital Grant Aid:

Capital Grant Aid Guidelines

Following discussions with the County Golf Unions several ideas were submitted for consideration as priority.

The Finance Committee accepted the following priorities:

1. Extension of Playing Facilities

- ✂ New courses in areas of identified need, particularly pay as you play facilities.
- ✂ Extension of existing 9 hole courses.
- ✂ Par 3/pitch and putt courses.
- ✂ Floodlit driving ranges.

2. Changing Facilities

- ✈ Provision of new changing accommodation including toilets and showers where none exist.

It was agreed that each golf application would be treated on its merits, particularly in relation to equal opportunities for women. At enquiry stage the officers must ensure that equal opportunities in terms of representation and playing opportunities are available to women if they so require.

For details you should approach your local representative.

Their addresses are as follows:

Sport England Offices– <http://www.sportengland.org/default.aspx>

Headquarters Sport England (London)

Barking and Dagenham, Barnet, Bexley, Brent, Bromley, Camden, City of London, Croydon, Ealing, Enfield, Greenwich, Hackney, Hammersmith and Fulham, Haringey, Harrow, Havering, Hillingdon, Hounslow, Islington, Kensington and Chelsea, Kingston upon Thames, Lambeth, Lewisham, Merton, Newham, Redbridge, Richmond upon Thames, Southwark, Sutton, Tower Hamlets, Waltham Forest, Wandsworth, Westminster

3rd Floor Victoria House, Bloomsbury Square, London WC1B 4SE

Tel: 020 7242 2801 Fax: 020 7383 5740

Email: infol@sportengland.org

Bedford

Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Luton, Norfolk, Peterborough, Southend-on-Sea, Suffolk, Thurrock,

Crescent House, 19 The Crescent, Bedford MK40 2QP

Tel: 01234 345222 Fax: 01234 359046

Email: infoe@sportengland.org

Loughborough

Derbyshire, Derby City, Leicestershire, Leicester City, Lincolnshire, Northamptonshire, Nottingham City, Nottinghamshire, Rutland

Sport England, SportPark, 3 Oakwood Drive, Loughborough, LE11 3QF

Tel: 020 7273 1539

Email: infoem@sportengland.org

Durham

Darlington, Durham, Gateshead, Hartlepool, Middlesbrough, Newcastle-upon-Tyne, North Tyneside, Northumberland, Redcar & Cleveland, South Tyneside, Stockton-on-Tees, Sunderland
Aykley Heads, Durham DH1 5UU

Tel: 0191 384 9595 Fax: 0191 374 1970

Email: infone@sportengland.org

Manchester

Blackpool, Blackburn with Darwen, Bolton, Bury, Cheshire, Cumbria, Halton, Knowsley, Lancashire, Liverpool, Manchester, Oldham, Rochdale, St Helens, Salford, Sefton, Stockport, Tameside, Trafford, Warrington, Wigan, Wirral

The East Manchester Academy, 60 Grey Mare Lane, Manchester, M11 3DS

Tel: 020 7273 1722

Email: infonw@sportengland.org

Bisham Abbey Marlow

Berkshire, Bracknell Forest, Brighton & Hove, Buckinghamshire, Hampshire, Isle of Wight, Kent, Medway, Milton Keynes, Oxfordshire, Slough, Windsor & Maidenhead, Portsmouth, Reading, Southampton, East Sussex, West Sussex, Surrey, West Berkshire, Wokingham

Sport England Local Office 2nd Floor, The Abbey, Bisham Abbey NSC, Marlow, Buckinghamshire SL7 1RR

Tel: 0207 273 1911 Fax: 01628 482756

Email: infose@sportengland.org

Crewkerne

Bath & North East Somerset, Bournemouth, Bristol, Cornwall, Devon, Dorset, Gloucestershire, Isles of Scilly, North Somerset, Plymouth, Poole, Somerset, South Gloucestershire, Swindon, Torbay, Wiltshire

Ashlands House, Ashlands, Crewkerne, Somerset TA18 7LQ

Tel: 01460 73491 Fax: 01460 77263

Email: info@sportengland.org

Birmingham

Birmingham, Coventry, Dudley, Herefordshire, Sandwell, Shropshire, Solihull, Staffordshire, Stoke-on-Trent, Telford & Wrekin, Walsall, Warwickshire, Wolverhampton, Worcester

5th Floor, No 3 Broadway, Five Ways, Birmingham B15 1BQ

Tel: 0121 616 6700 Fax 0121 633 7115

Email: infowm@sportengland.org

Leeds

Barnsley, Bradford, Calderdale, Doncaster, East Riding of Yorkshire, Kingston-upon-Hull, Kirklees, Leeds, North Lincolnshire, North East Lincolnshire, North Yorkshire, Rotherham, Sheffield, Wakefield, York

4th Floor, Minerva House, 29 East Parade, Leeds LS1 5PS

Tel: 0113 243 6443 Fax: 0113 242 2189

Email: infoy@sportengland.org

If you make an application to any of the above organisations do not under any circumstances accept contracts or start work until you have their written approval.

Fixed Mortgage or Bank Loan

You will need to spend some time investigating the terms available from banks or other lenders. Usually the interest is fixed for a period of 5 years and then subject to further negotiation. It is a method of ensuring good housekeeping because the Club is paying back both capital and interest. If interest rates start to drop after you negotiated a loan and then rise just before the first term comes to an end then you can lose out. But this of course works the other way as well and at least the Club is not faced with rising interest rates several times in the financial year as has happened in the past. You will also not get any benefit from high periods of cash flow in the club when part or all of the loan could be temporarily paid off, but some benefit for this can usually be agreed with your bank by putting any surplus above a certain amount on deposit. You need to get good financial advice before committing the club to any fixed term loans. What may look attractive today may be expensive tomorrow.

Bank Overdraft

In this instance the club negotiates a fixed percentage against the bank base rate and interest is calculated on a daily basis. The overdraft will fluctuate according to the club cash flow and in some cases when subscription income is at its peak the overdraft may be completely wiped out for a short period. If you adopt this method it is essential to have the annual interest charged by the bank checked by a professional as it has been known for clubs to be over charged. Changes in the interest rates may mean higher charges or lower. It is also important to see that physically the debt is being repaid otherwise it can lead to a constant overdraft never being repaid. Banks tend these days to be more vigilant on fluctuating overdrafts but it can be a reasonable way to borrow money using the cash flow to reduce interest at certain times.

National Lottery Funds

These are dealt with by the Sports Council and for the information pack you should contact your local office of that organisation. Although there are plans to reconsider the initial regulations, money is currently only given for capital projects. These can include purchase or extension of a course, irrigation systems, building or extension of changing room facilities. You will need to show that by improving existing facilities the project will increase the number of persons using the facilities. This might be difficult in the case of a golf club unless it is increasing its number of

holes and will therefore increase membership. The club rules will need to show that all classes of members are treated the same with regard to items such as voting rights.

Purchase of Life Memberships

This has been carried out by many golf clubs with varying degrees of success. You need to take great care when setting up such a scheme to ensure it is not to the detriment of the club. You have to remember that the club will lose annual subscription income and this shortfall will need to be made up by those members not in the scheme. The amounts offered are usually based on age and you will need to get the help of an experienced life insurance actuary to calculate the amounts required. You will also need to set out the exact terms of the scheme with particular emphasis on any possible levies that may be made on the members in future years. One way of introducing this scheme is to have a fixed term such as 5/10/15 years after which the member will revert to paying the full subscription again. Also you will need to calculate what if any repayment is made should a member die within a given period.

This can be a very acceptable way to raise funds but it needs a great deal of thought and care in setting up.

Sale of Surplus Club Assets such as Land or Property

Just occasionally a club may have a valuable asset which can be disposed. You will need to obtain professional advice on this before proceeding and remember that the club may well have a capital gains tax liability on any disposal.

Special Fund Raising Schemes

It is extremely doubtful you would raise substantial funds by this method but occasionally the club has the right person to perform such a task. Sometimes it can be used to raise sufficient funds for refurbishment of the clubhouse or for a room for the juniors. Ladies sections have often proved good and regularly furnish their own quarters from various methods such a coffee mornings, bring and buy etc. Sweepstakes or club lotteries can be successful but ensure you keep within the law on operating them.

Brewery Loans

Many clubs over the years have used this method but recently with competition for business clubs have found that they can negotiate extremely advantageous terms for supplies and so have looked elsewhere for finance. Nevertheless it is always worth a talk with your suppliers to see what is on offer but you will need to carefully balance any loan offer against loss of discounts etc.

Local Authorities

Local Authorities will consider assisting commercial and sporting organisations within their own area. Enquiries should be made at local and county councils.

Development Councils

Enquiries should be made as to available assistance.

Countryside Commissions & Others

Grants for expenditure on trees etc., are available.

Hire Purchase or Leasing of Main Greens Equipment

Whilst expensive, it has been found very useful in several golf clubs to lease equipment over a 5 year period. Cash flow is helped and members of clubs seem quite prepared to accept leasing instalments as a fair and proper charge against revenue.

The Institute of Chartered Accountants has an accounting standard for equipment leases and hire purchase payments. This standard basically insists that for finance leases (those for finance to purchase equipment) should be treated in the same manner as if the equipment was owned and depreciated.

Manpower Service Commission

Considered to be well worth approaching for course improvements etc. The club has to purchase the required materials and the Commission supplies the required expertise and the labour. Several golf clubs have had greenkeepers sheds constructed by the Manpower Service Commission.

Large Industries

Large industries in the area may be interested in making loans or grants to assist with the creation of a golf course in their area of operations.