Loads of Money

Ian Henderson gives some sound advice for ensuring your club’s financial survival

As recently as two years ago, funding for golf clubs was easy. Golf was considered a very good risk, and while some of the more recently established proprietary clubs were scrutinised more closely than a 100 year old members club, the business was generally arranged without too much difficulty.

How things have changed. With golf clubs considered part of the leisure industry, the clearing banks and finance houses have lost most of their appetite for our business.

Without doubt life has become more difficult for many golf clubs.

There have been casualties, and there will be more. Golf clubs however, are resilient beasts, and the well established members’ golf clubs will continue to survive, and indeed some will thrive albeit at the expense of others.

What the lenders fail to address is that golf clubs which have graced our land for 100 years and more have witnessed several crisis. Two world wars, depressions, fashion swings and they are still here to tell the tale.

As you would expect at a time like this, there has been a downturn in machinery replacement, with many clubs making do for another year or two. The quality of the machines
available today, combined with regular maintenance means, in many cases a fairway mower scheduled for replacement after five years will last seven or eight years. The only thing a club must be aware of is the cost of hanging onto a machine for too long.

Where a five year old mower may be worth £5,000, if it requires a major repair, which could cost between £3,000 and £6,000 it will still only be worth £5,000. So it is true to say there will come a point where you can start throwing good money after bad.

The repair costs would go along way to covering the annual lease cost for a new replacement mower. Machinery finance is generally still readily available, and while fixed interest rates do not reflect the current bank base rate of 0.5%, rates are generally favourable and finance offers great flexibility.

For larger projects such as clubhouse renovation or course improvements, the rules have changed dramatically. In years gone by projects under a cost of £50,000 were regularly funded simply with an unsecured loan.

In today’s market any project where we are looking at longer term, large value funding, without doubt the funder will look for tangible security, normally by way of a first charge over the course and clubhouse.

According to a respected golf club specialist, values of golf clubs have fallen between 5% and 15% over the last two years.

Once the project has been agreed and costed, there is no certainty funding will be available. Over the past two years the funders have become very adept at finding reasons not to agree facilities.

In addition to making funding difficult, most of the lending houses have taken advantage of the lack of funding to significantly increase their margins and fees. In 2005 it would be reasonable to assume a facility of say, £500,000 could be secured at around bank base rate + 1.5% - 2% but in today’s market you could be nearer bank base rate +3.5% - 4%

The fee structure has also increased with arrangement fees of 2% quite common. We are in fairly difficult times, which have seen huge changes in attitudes toward money. Many golf clubs who considered themselves cash purchasers, are now looking to utilise machinery finance and spread their cost.

The current situation has also spurred many clubs to look at the way they conduct their business. It is always difficult to carry out major changes, but because it has always been done this way, does not mean it is right.

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Family Inclusion: With your average medal round taking just over four hours, an hour’s travel time to and from the golf course, and diet coke and a sandwich with your playing partners, it’s not just a Saturday morning.

It is important that golf clubs today offer more than just golf. If there are activities where the whole family can become involved, the entire day becomes much more inclusive and less contentious. Mixed competitions including Gents, Ladies, Seniors and Juniors, with a buffet and prize giving at the end can be very successful and rewarding. It is also worth considering awarding the spouse of a full member automatic social membership of the club, and encourage them to make use the facilities on offer.

While money may not be as readily available as before, it is not all doom and gloom.

With a positive sustainable programme and a properly thought future, it is still possible to secure the funding required for you and your club to survive and thrive.

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Successful clubs are now looking at ways of generating income from alternative sources.

By providing the best course in the area along with a welcome and good value for money catering can ensure your club is where the club hopper lays down his roots.