DON'T WASTE THAT WINDFALL

Golf clubs should beware of the pitfalls when selling land

One of the hottest debates in South African sport is the future of Newlands rugby stadium. If one considers the capital required to fix the grand old lady, which is creaking at the seams, the precarious financial position of Western Province Rugby (WPR), and the attraction of relocating to a trendy Cape Town Stadium, it is difficult to imagine a future for rugby on the hallowed Newlands turf. WPR owns the land and selling it off should take care of creditors and leave cash in the kitty.

WPR's predicament is not dissimilar to that of many golf clubs under pressure to balance the books. Several, particularly in Gauteng, are fortunate enough to own valuable land, and already some of it has been sold off for commercial or residential development.

Clubs have used the funds for various purposes – debt, replenishing cash reserves or, most popularly, embarking on capital upgrades (typically clubhouse or golf course), extensions (functions and event rooms) and replacements (course fleet equipment). While it is commendable that clubs strive to improve their facilities, Mark Wiltshire Golf (MWG) has seen many fall into the same trap time and again. Clubs ignore the fundamental issue of trading profitably and including a provision for capital replacement.

Considering that clubs are often pushed to sell land due to financial difficulties caused by operational losses, they tend to focus on how to apply cash from the sale of land without planning how to ensure long-term sustainability.

Once the money is spent, it is only a matter of time before a club returns to square one through poor decision-making and a lack of proper planning and execution. Selling land creates complacency and a false sense of security – R10 million sounds a lot, but that would only pay for a new equipment fleet or install an irrigation system. This puts a different perspective on the actual well-being of a club.

Humewood Golf Club was managed for 5 years by MWG.

Some clubs may be in a position to sell off further land, but in many instances they have only one opportunity, and hence need to plan carefully.

When clubs approach MWG regarding this, we always advise them to explore a joint partnership with a potential developer that will provide the club with annuity income. This would typically be in the form of a rental share agreement of developed property.

Although a club would not receive an upfront lump sum, it is guaranteed a monthly income for a long-term period which is handy during off-peak months. In our opinion, with proper planning and fiscal discipline, annuity income provides a better option for a club's sustainability than a lump sum income.

MWG has developed a 7-point strategy for clubs that provides clear, measurable goals over 12-month and 3-year periods. It focuses on financial improvement, golf course conditioning and playability, service, the golfing experience, food and beverage, asset management and controls and procedures. The strategy varies depending on each club's unique situation and value proposition. MWG have had successful management experiences in various locations and situations.

During the three years that MWG managed Irene CC, rounds increased from 35 535 a year to 44 138, membership increased from 662 to 721, annual average rounds by members increased from 18.06 to 31.35, and staff costs were reduced by 20% through efficient weekly rostering.

Humewood GC presented a different challenge per the financial strain the club was experiencing. During MWG's five years of managing the club, operational losses were turned into a cash surplus for three consecutive years, and there was a significant reduction in debt.

MWG is well suited to assist clubs, whether through consulting or management, to improve all facets of the business whether it be finance, service, membership, course maintenance or similar.