

Other Industries Facts 1

Review of the NSW registered clubs industry

Final Report June 2008

A Fact Sheet on IPART's review of the NSW registered clubs industry Final Report

On 27 June, IPART released a final report on its review of the NSW registered clubs industry. This fact sheet provides a short summary of IPART's final report. The full report is available on IPART's website (<http://www.ipart.nsw.gov.au>).

Overview

There are over 1,400 registered clubs in NSW, employing over 43,000 people in full and part-time positions. Over 43,000 volunteers were involved in registered clubs, contributing 6.3 million hours in 2007. Clubs received rebates on their gaming machine tax of \$40.2 million for eligible contributions through the Community Development and Support Expenditure (CDSE) Scheme in the year to August 2007.

Social, demographic and commercial changes over the last 10 years have affected the registered clubs industry in many ways. In light of the varying ability of individual clubs to deal with these changes while remaining financially viable, the Premier of NSW asked the Independent Pricing and Regulatory Tribunal (IPART) to conduct a review of the registered clubs industry in NSW.

The review's outcome is a framework for a management plan that will support and guide a sustainable registered clubs industry for the next 10 to 15 years. As part of developing the framework, IPART was asked to make recommendations on many individual aspects of the industry, including its social contribution, financial performance measures, corporate governance, amalgamations and club establishment.

IPART considers that each aspect on which it has been requested to make recommendations falls into one of two areas:

- ▼ Examining the role of clubs in the community and better defining and recording the value of the social contribution made by the industry.
- ▼ Identifying threats to the financial viability of the clubs industry and developing measures to assist clubs in addressing these.

Clubs' social contributions

The terms of reference asked IPART to measure the value of clubs' contribution to social infrastructure (not to undertake a cost-benefit analysis of clubs' social contribution). IPART undertook a calculation based on the sum of clubs' direct cash and in-kind contributions and estimated the value of clubs' contribution to social infrastructure in 2007 was \$811 million. This figure does not include the indirect or intangible contributions made by clubs which are difficult to quantify consistently and reliably, but are nevertheless important.

One conduit for clubs' social contributions is the CDSE Scheme. The Scheme provides a gaming machine tax rebate of up to 1.5 per cent to clubs that make eligible community contributions in accordance with the Scheme's guidelines. IPART reviewed the existing and proposed statutory requirements related to the CDSE Scheme and found them to be reasonable and effective. However, there is a lack of awareness in the community about registered clubs' social contributions via the Scheme and the clarity of some parts of the Scheme guidelines could be improved.

Financial viability

IPART investigated what clubs earn and spend, and has confirmed the common perception that most clubs are highly dependent on gaming revenue. As a result they are very vulnerable to any change related to the regulation of gaming machines. This is a key finding of the review, and led to IPART's recommendation that any future changes in Government policy affecting the revenue stream from gaming machines should be preceded by consultation with the clubs industry to determine the likely impact of proposed changes.

IPART found that the financial viability of individual registered clubs across NSW varies greatly. Some are financially strong while others are struggling, for a variety of reasons including a lack of understanding of their own financial position, demographic changes, the level of competition from other venues in their communities, and the financial management skills of their boards and managers.

In examining the potential for strengthening the performance of the industry, IPART recommends a coordinated response requiring action from individual clubs, government agencies such as the Office of Liquor, Gaming and Racing (OLGR) and industry peak bodies such as ClubsNSW. IPART is proposing the establishment of a new body, the Club Viability Panel, to oversee, coordinate and advise on many of the financial viability recommendations.

IPART's recommendations involve a strategy of providing clubs with the tools to identify when their financial performance is declining and offering assistance to clubs and their management to adapt and change. However, even with assistance, IPART recognises that there are some clubs for which no amount of improved financial management will ensure their individual survival and that these clubs may need assistance in exploring options such as amalgamation.

IPART has proposed initiatives across seven areas:

- ▼ improving clubs' financial reporting and benchmarking their performance
- ▼ establishing a Club Viability Panel to assist clubs in identifying the early signs of financial distress and to advise on options to address these
- ▼ improving clubs' corporate governance
- ▼ helping clubs better understand the risks and benefits of diversifying their sources of revenue

- ▼ making it easier for clubs that are unlikely to be able to improve their financial viability to amalgamate
- ▼ making it easier for new clubs to be established
- ▼ removing unnecessary regulatory restrictions on clubs.

Improving clubs' financial reporting and performance benchmarking

IPART recommends the adoption of a standardised reporting format for financial management accounts and performance benchmarking for clubs with gaming machine revenue less than \$5 million per annum (approximately 90 per cent of all clubs). This will assist clubs to:

- ▼ monitor financial performance
- ▼ benchmark individual performance against the wider industry.

All clubs will be required to submit Earnings Before Interest, Tax, Depreciation, Amortisation, Rent and Donations (EBITDARD) as a percentage of revenue to the proposed Club Viability Panel (see below) to be assessed as an initial indicator of financial distress.

Establishing a Club Viability Panel

IPART recommends the establishment of a Club Viability Panel (the Panel), to advise the clubs industry about financial viability issues. Specifically, the Panel would:

- ▼ assist in the process of moving most clubs to a standardised reporting format for financial management accounts
- ▼ produce and communicate industry benchmarks to the clubs industry on an annual basis
- ▼ based on examination of an initial financial viability indicator, EBITDARD as a percentage of revenue less than 15 per cent, identify clubs that are at risk of being in financial distress
- ▼ inform these clubs of its findings, and offer to provide further investigation, advice and support to assist the club to assess and if necessary improve its financial position.

Strengthening corporate governance

Stakeholders indicated that corporate governance in clubs could be improved if boards operated more effectively. The key challenges to board effectiveness involved deficiencies in director skill sets as well as difficulties in attracting and electing directors.

IPART proposes recommendations to address these challenges:

- ▼ compulsory core professional development training for directors (with recognition of prior learning)
- ▼ encouraging the removal of constitutional restrictions on board membership and voting eligibility or, where this does not occur, allowing directors to appoint up to three directors (provided this represents a minority of board members)
- ▼ encouraging boards to undertake performance assessments of their directors and the board as a whole
- ▼ encouraging boards to have a formal succession planning policy in place
- ▼ ClubsNSW more extensively promoting examples of effective corporate governance and providing further guidance to clubs on best practice.

In addition, IPART has recommended that ClubsNSW examine the feasibility of assisting smaller clubs to meet their compliance obligations under the Registered Clubs Act by employing a pool of compliance officers for clubs to use as needed.

IPART also proposes recommendations to improve the existing club-specific training available to directors and managers.

Helping clubs better understand the risks and benefits of diversifying their operations

IPART found that diversification is unproven as a means of reducing (to any great extent) clubs' reliance on gaming machine revenue. However, there still may be merit in adopting diversification strategies in the clubs industry. In specific circumstances, diversification can be an effective means of expanding a club's revenue base, broadening market appeal and maintaining relevance through the provision of additional services to members and the local community. IPART recommends that industry stakeholders support the efforts of clubs considering financially sound diversification strategies and help clubs to avoid unsound, risky diversification. They should provide education about the risks associated with diversification and advice on how to make an informed judgement on the relative merits of any proposed diversification strategy.

Making it easier for clubs to amalgamate

The consensus from stakeholders is that industry consolidation is inevitable. However, it is important that consolidation is underpinned by the aim of preserving community assets and maintaining services for the benefit of members and the local community.

IPART examined the current amalgamation process and found a number of barriers to effective amalgamation, including:

- ▼ the complexity of the process and the involvement of various government bodies and professionals make it quite a daunting and costly project, especially for smaller clubs with fewer resources
- ▼ cultural barriers to amalgamation, including club reluctance to consider amalgamation as an option until it may be too late to undertake one that effectively preserves the club's assets and services.

IPART recommends development and dissemination of information about amalgamation to clubs, both to help clubs to navigate the complexity of the process and to overcome clubs' reluctance to consider amalgamation.

Making it easier for clubs to be established

IPART recommends that changes in three key areas will assist in making it easier for clubs to be set up in areas that need them:

- ▼ greater guidance should be provided to groups wishing to establish a registered club
- ▼ planning for new developments should include an allowance for land that is suitable for the establishment of a registered club
- ▼ until an alternative is developed, new clubs should continue to have access to ten free gaming machine entitlements to assist in keeping the costs of establishment to a minimum.

Removing unnecessary regulatory restrictions on clubs

IPART examined four regulatory restrictions that ClubsNSW submitted create an unnecessary burden on the clubs industry: limitations on club membership size, club sign-in procedures and the 'five kilometre rule', restrictions on contract caterers serving alcohol, and the prohibition on clubs providing off-site catering. IPART concluded that:

- ▼ limitations on club membership size should be removed
- ▼ sign-in provisions and the 'five kilometre rule' should be retained, but more flexible provisions for extended temporary memberships should be introduced
- ▼ The Office of Liquor, Gaming and Racing (OLGR) should clarify the circumstances under which contract caterers can serve alcohol on club premises
- ▼ the prohibition on clubs providing off-site catering should be removed.

Framework for a management plan

The outcome of this review is a framework to assist stakeholders in the industry to develop a detailed industry management plan by mapping out principles, processes and issues to be considered.

The management plan will build on the existing cooperative relationship between the registered clubs industry and the Government by formalising an agreed set of principles and actions for the way forward for the clubs industry. The plan is intended to provide a blueprint for a sustainable clubs industry which continues to provide substantial and effectively targeted community support, without attempting to ensure the future of every individual club in its current form.

The plan will include a Clubs Charter, which will outline the broad obligations that apply to clubs in conducting their operations and to the Government in regulating clubs. The plan is also a means to draw together all of IPART's recommendations from this review in a coordinated manner.

IPART recommends that the Club Industry Working Group (a joint clubs industry and Government group) be asked to prepare the management plan, in consultation with stakeholders, by mid 2009.

A complete list of IPART's recommendations is contained in Appendix 1 to this fact sheet.

James P. Cox
Chief Executive Officer and Full Time Member

Appendix 1 – List of IPART’s draft recommendations

List of Recommendations

Chapter 3 Understanding the social contributions of the registered clubs industry

IPART has examined the social, employment and other economic opportunities afforded by the registered clubs industry and ways that these contributions can be enhanced. IPART recommends:

- 1 That clubs seek to increase the training opportunities they provide for people in their local area, and increase the promotion of these opportunities, especially in regional and rural locations.
- 2 That ClubsNSW increase awareness of the employment opportunities that clubs provide, particularly in the tertiary graduate and over age 55 segments of the labour market. This should be achieved through better targeting and improved advertising of employment opportunities in the broader labour market.
- 3 That the registered clubs industry continue to measure and report on the employment and other economic opportunities it provides, for example through ClubsNSW’s four-yearly industry survey. To better understand these contributions, this information should be provided by club size, type and location.
- 4 That ClubsNSW improve industry awareness of programs targeting regional and state development, by providing information on their existence and assistance to clubs to gain access to these programs.

Chapter 4 Measuring and reporting on club contributions

IPART has considered various methodologies for measuring and reporting on the social contributions made by the industry. IPART recommends:

- 5 That IPART’s preferred approach for the measurement of club-provided social infrastructure and services be adopted. Under this approach, the direct social contribution of clubs is calculated via the sum of cash contributions, volunteer labour and the market value of in-kind provision and maintenance of community and sporting facilities, less total revenue received for this provision.
- 6 That ClubsNSW assume responsibility for conducting future valuations of the clubs industry’s social contributions to the NSW community on a four-yearly basis. If it chooses to use a different valuation methodology from IPART’s preferred approach, ClubsNSW should be transparent and open about its methodology and results.

Chapter 5 Refining the Community Development and Support Expenditure (CDSE) Scheme

IPART has examined options for improving the CDSE Scheme. IPART recommends:

- 7 That local government and clubs enhance their promotion of the Community Development and Support Expenditure (CDSE) Scheme on council and club websites, including publicising CDSE-funded projects on club websites and in annual reports.
- 8 That ClubsNSW encourage smaller clubs below the CDSE threshold to participate in a CDSE local committee process.
- 9 That the Office of Liquor, Gaming and Racing (OLGR) provide greater support for local CDSE committees through an annual conference for committees and provision of support materials on issues such as priority-setting, decision-making and conflict resolution procedures, and information to clubs on valuing in-kind contributions.
- 10 That the CDSE Scheme guidelines be amended to:
 - advise that a market value approach should be used to value the provision of in-kind CDSE
 - include a more comprehensive explanation of in-kind valuation.

- 11 That ClubsNSW encourage clubs to measure, record and report on their social contributions to their members and to ClubsNSW, by developing a Best Practice Guideline on reporting social contributions.

Chapter 6 Strengthening the financial viability of the registered clubs industry

IPART recommends:

- 12 That any future changes in Government policy affecting the revenue stream from gaming machines be preceded by consultation with the clubs industry to determine the likely impact of the proposed changes.

Chapter 7 Improving clubs' financial reporting and performance benchmarking

IPART recommends the following to improve financial reporting and benchmarking in the registered clubs industry:

- 13 That a standardised reporting format or formats for financial management accounts be prescribed in the Registered Clubs Regulation 1996 for clubs with annual gaming machine revenue of less than \$5 million and that:
- Clubs be granted an exemption from this requirement only if they can show that their existing reporting format for financial management accounts can produce the necessary business efficiency and financial viability measures to submit to the Club Viability Panel.
 - The standardised format may vary, with different requirements for clubs with annual gaming machine revenue less than \$1 million and those with annual gaming machine revenue between \$1 million and \$5 million.
- 14 That the Club Viability Panel (see Recommendation 26) be asked to develop and recommend the standardised reporting format(s) to the Minister for Gaming and Racing.
- 15 Once the standardised reporting format(s) have been approved by the Minister, that:
- Clubs with annual gaming machine revenue of less than \$5 million be required to submit one set of financial management accounts in their current format to the Club Viability Panel.
 - The Club Viability Panel undertake a high-level review of these financial management accounts to determine whether the club already complies or is exempt from the requirement to use the standardised reporting format on the grounds that its existing format can produce the necessary business efficiency and financial viability measures.
- 16 Where clubs are required to adopt the standardised reporting format, that those with annual gaming machine revenue of less than \$1 million be given two years to comply, and those with annual gaming machine revenue between \$1 million and \$5 million be given 18 months to comply.
- 17 That clubs which have difficulty complying with the requirement to adopt the standardised reporting format due to resource constraints be eligible to apply for funding via the Club Viability Panel to make the necessary changes.
- 18 That all clubs monitor the following business efficiency measures:
- Gaming revenue as a percentage of total club trading revenue.
 - Wages as a percentage of total gaming revenue.
 - Net contribution as a percentage of total gaming revenue.
 - Revenue per gaming machine.
 - Departmental revenue as a percentage of total trading revenue.
 - Departmental gross profit as a percentage of departmental revenue.
 - Departmental wages as a percentage of departmental revenue.

- Departmental net contribution as a percentage of total departmental revenue.
 - Total club wages as a percentage of total trading revenue.
- 19 That all clubs measure the following financial viability measures:
- EBITDARD %.
 - Working capital surplus/(deficiency).
 - Operating cash flows/working capital deficiency.
 - Operating cash flows/borrowings.
 - Capital expenditure/operating cash flows.
- 20 That the Club Viability Panel be asked to develop and recommend to the Minister for Gaming and Racing a suite of business efficiency and financial viability measures appropriate for clubs with annual gaming machine revenue of less than \$5 million, using the measures outlined in Recommendations 18 and 19 as a starting point.
- 21 Once these measures are approved, that the Registered Clubs Regulation be amended to require:
- Clubs with annual gaming machine revenue of between \$1 million and \$5 million to calculate the full suite of measures on an annual basis.
 - Clubs with annual gaming machine revenue of less than \$1 million to calculate only the ‘whole of business’ measures on an annual basis.
 - Clubs to provide data on the relevant measures to the Club Viability Panel by the date and in the format specified by the Regulation.
- 22 That the Club Viability Panel use the data provided by clubs to calculate industry-wide benchmarks for each measure, and segment these benchmarks by club size, type and location to allow clubs to compare their performance with ‘like’ clubs.
- 23 That the Registered Clubs Regulation be amended to require all clubs to calculate their EBITDARD% on an annual basis, and submit this data to the Club Viability Panel.
- 24 That the Club Viability Panel analyse this data on an annual basis, and use a threshold for EBITDARD% of 15 per cent to identify clubs at risk of being in financial distress.
- 25 That clubs which do not comply with the financial reporting and benchmarking requirements recommended for inclusion in the Registered Clubs Regulation be penalised, and that these penalties be the same as those for breaches of section 47H of the Regulation (ie, maximum penalty 50 penalty units). An offence should also be a penalty notice offence listed in Schedule 3 of the Regulation.

Chapter 8 Establishing a Club Viability Panel

The proposed Club Viability Panel will have a key ongoing role in strengthening the financial viability of the registered clubs industry. Specifically, IPART recommends:

- 26 That a Club Viability Panel (the Panel) be established to:
- assist clubs in transitioning to a standardised reporting format for financial management accounts
 - produce and publish industry benchmarks
 - identify and inform clubs that are at risk of being in financial distress
 - assist financially distressed clubs to develop and implement strategies to become financially viable.
- 27 That the Panel be advisory (not supervisory) in nature, with a club’s board maintaining control over the future of the club.

- 28 That the Panel comprise up to seven members, drawn from ClubsNSW, other industry associations, individual clubs' management and boards, OLGR and independent industry advisers, to provide a balanced mix of relevant skills and experience.
- 29 That ClubsNSW provide secretariat support to the Panel.
- 30 When the Panel identifies that a club is at risk of being in financial distress, that the Panel formally advise the club's board of this finding, and that the club is eligible for a more detailed, comprehensive review of its financial position to determine whether its viability is threatened and, if so, to identify the options for improving its financial position.
- 31 That a club which receives formal advice from the Panel that it is at risk of being in financial distress and is eligible for a more detailed review of its financial position be required to inform its members and the Panel if it chooses not to take up the offer of a more detailed review, and the reason for this decision, within three months of receiving the advice.
- 32 When a club accepts the Panel's offer of a more detailed, comprehensive review of its financial position, that this review be undertaken by the Panel's secretariat or an approved consultant. That the review provide the club with a detailed assessment of its financial viability and information about options to address identified weaknesses.
- 33 That a club found to be in financial distress by the detailed review should be eligible to apply for funding (administered by the Panel) up to a maximum of \$50,000 to develop and implement strategies to improve its financial position.
- 34 That the Panel periodically follow up and review the progress of a club identified as being in financial distress.
- 35 That the ClubBIZ scheme be discontinued and the funding from this program be redirected to the Panel.
- 36 That the Panel and its funding scheme should be funded initially by residual funds in the ClubBIZ Trust Fund and by further monies from unclaimed Keno prizes.
- 37 That the Panel be reviewed after three years to assess its effectiveness.

Chapter 9 Improving corporate governance

IPART recommends the following to improve corporate governance as well as director and management skills:

- 38 That directors be required to complete two core training modules (unless exempt on the basis of their prior learning) within 12 months of being elected to a club's board. The core training modules should cover understanding financial statements and directors' duties.

This requirement should be appropriately scaled according to club size, so that:

- for clubs with annual gaming machine revenue of greater than \$1 million, all directors need to complete the core training modules
- for clubs below this threshold, the board needs to ensure that at least two of its directors complete the core training modules.

- 39 That ClubsNSW encourage clubs to report any ongoing training undertaken by board directors in their annual reports.
- 40 That ClubsNSW encourage club boards to undertake performance assessments of individual directors and the board as a whole on an annual basis, by revising its Best Practice Guideline for Board Operations, and including a best practice recommendation.
- 41 That clubs be encouraged to remove constitutional restrictions on board membership and voting eligibility by:

- Not including any such restrictions in the model club constitution template to be developed by ClubsNSW (see Recommendation 61).
 - The Government including a provision in the Registered Clubs Act that defines the core features of the various types of clubs.
- 42 That OLGR review the effectiveness of the actions outlined in Recommendation 41 in facilitating the removal of constitutional restrictions on board membership and voting eligibility three years after their implementation.
- 43 That a club's board be permitted to appoint up to three directors if:
- the club has board membership or voting eligibility restrictions in its constitution, and
 - the club's members vote not to adopt the model constitution developed by ClubsNSW or apply the 'core club features' provision of the Registered Clubs Act once effective.

Safeguards to manage the risk of this option being abused should include:

- limited terms for board-appointed directors of between one and three years
 - a requirement that members vote to ratify the appointment of a director by the board and that director's term at the next annual general meeting
 - a requirement that the board disclose its reasons for appointing a director in its annual report.
 - a requirement that board-appointed directors should not comprise a majority of a club's board.
- 44 That ClubsNSW encourage club boards to prepare a formal succession policy that sets out how they intend to renew their membership over time, to achieve a balance between keeping existing expertise and bringing in new ideas and skills, by revising its Best Practice Guideline for Board Operations and including a best practice recommendation on succession planning.
- 45 That ClubsNSW encourage clubs to better utilise the opportunities created by casual board vacancies and committees to attract and train people with appropriate skills for future board positions by revising its Best Practice Guideline for Board Operations.
- 46 That ClubsNSW encourage clubs to improve their practices regarding recruitment and performance assessment of management by developing a Best Practice Guideline covering recruitment, revising its Best Practice Guideline for Remuneration of Club Executives and including a best practice recommendation on performance assessment.
- 47 That ClubsNSW encourage clubs to develop board charters that provide greater clarity about the respective roles of the board and management by developing a pro-forma board charter, revising its Best Practice Guideline on Board Operations and including a best practice recommendation on board charters.
- 48 That ClubsNSW more extensively promote examples of effective corporate governance in clubs.
- 49 That ClubsNSW continue to develop its Code of Practice and Best Practice Guidelines as new corporate governance issues arise. In particular, ClubsNSW should develop a Best Practice Guideline encouraging boards to move to three-year rolling elections.
- 50 That ClubsNSW introduce best practice recommendations into its Best Practice Guidelines, and revise its Code of Practice to require a club which does not follow a best practice recommendation to disclose its reasons in its annual report.
- 51 That ClubsNSW examine the feasibility of employing a pool of compliance officers to assist smaller clubs meet their compliance obligations under the Registered Clubs Act. These officers would be available on request to clubs with gaming machine revenue of \$1 million or less a year. ClubsNSW would be able to charge clubs a fee for using this compliance service, determined on a cost recovery basis.

- 52 That improvements be made to the existing club-specific training available to club directors and managers by ClubsNSW:
- offering accredited training for directors, ideally under the Australian Qualifications Framework
 - offering more flexible delivery options for director training
 - with other providers of club-specific training, increasing their promotion of the programs that they offer.

Chapter 10 Helping clubs better understand the risks and benefits of diversifying their operations

IPART recommends the following to assist registered clubs to diversify effectively:

- 53 That ClubsNSW develop and deliver material to assist clubs (particularly small to medium-sized clubs) in understanding and managing the benefits and risks associated with pursuing diversification, including:
- Providing guidance with respect to the measures usually adopted to identify and mitigate diversification risks, such as due diligence and planning procedures to objectively assess the relative merits of a particular diversification strategy.
 - Advising clubs on the merits (and risks) associated with joint ventures with third party business operators in order to obtain management expertise and share operational and financial risks that arise from diversification.
 - Assisting clubs to recognise and leverage their collective strengths when thinking of diversification. These include the size and loyalty of membership bases, underutilised landholdings in strategic locations and extensive geographic reach of the industry.

Chapter 11 Making it easier for clubs to amalgamate

IPART recommends the following to assist registered clubs with the complexity of the amalgamation process and to overcome clubs' reluctance to consider amalgamation:

- 54 That OLGR, in consultation with the industry, the Panel and the public, develop a comprehensive guide to amalgamation. It should be a comprehensive guide written in plain English that includes (but is not restricted to):
- information on ways to approach an amalgamation
 - details on the legal requirements of amalgamation, how they should be carried out and in what order
 - a list of the major issues to consider when amalgamating, including financial, due diligence, operational and strategic planning matters.
- 55 That the NSW Government write to the Commonwealth Government requesting an amendment to the Corporations Act 2001 to allow for a simple majority vote for liquidation in the case of a registered club that has already voted to amalgamate.
- 56 That OLGR and the Casino, Liquor and Gambling Control Authority develop pro-formas for documents that are required to be lodged with the application for amalgamation, where appropriate. These pro-formas should be easily accessible to clubs. For example, the OLGR should develop a pro-forma MOU which clubs can access from OLGR's website and that of the peak bodies. The pro-forma MOU should include the minimum legal requirements but provide flexibility for clubs to add their particular requirements.
- 57 That peak bodies provide more education to club members and directors on amalgamation. This education should provide a balanced view of amalgamation, covering issues such as the pros and cons of amalgamation, the process, and alternative amalgamation models.

- 58 That the management and board of a club be required to inform its members, within 30 business days, after a board decision regarding a formal amalgamation offer has been made. The disclosure to members should include information on the reasons for its decision.
- 59 That clubs explore the use of management agreements in their approaches to seeking amalgamation. Information relating to management agreements should be included in the guide to amalgamation (see Recommendation 54).
- 60 That OLGR develop a pro-forma management agreement contract that clubs can access easily, to facilitate clubs seeking to enter into management agreements. The pro-forma should include information about the legal requirements to be met to ensure the agreement does not contravene the Registered Clubs Act.

Chapter 12 Making it easier for new clubs to be established

IPART recommends the following to make it easier for clubs to be set up in the areas that need them:

- 61 That ClubsNSW develop a model club constitution template to assist and guide clubs to draft their club constitution so that it complies with both the Registered Clubs Act and the Corporations Act.
- 62 That OLGR develop a comprehensive guide, in consultation with peak bodies, to assist groups seeking to establish a club. This guide should include the important facets of becoming a registered club, including the areas of:
 - Who should become a registered club?
 - Preparation for the process to apply for a club licence.
 - Time and cost involved in becoming a registered club.
 - Resources and contacts for assistance and information.
- 63 That councils, in purchasing land for community facilities, make allowance for the establishment of a registered club. Important aspects of this recommendation are that:
 - The land is not provided on a first come first served basis. When an organisation approaches a local council to establish a registered club on that particular piece of land, this should trigger a tender process where all local groups and clubs are invited to bid for the rights to establish a registered club on that land.
 - The winning tender for that piece of land would need to be determined on a merits basis, including financial viability, how well services and facilities meet demands of the community, and any potential negative impacts that may result.
 - The parcel of land should contain a sunset date whereby if after, say, 15 years, no group has applied for the rights to develop a registered club on that piece of land, then council should be able to develop it for other purposes.
- 64 That access to 10 free gaming machine entitlements for new registered clubs be maintained, until suitable alternative measures are developed and in place to assist new clubs.

Chapter 13 Removing unnecessary regulatory restrictions on clubs

IPART recommends:

- 65 That the Registered Clubs Act be amended to remove the provision restricting membership numbers in clubs.
- 66 That the Registered Clubs Act be amended to allow clubs to issue seven day temporary memberships.
- 67 That, in order to clarify that contract caterers in clubs are not prohibited from serving alcohol, OLGR develop and publish enforcement guidelines that clarify what measures and/or arrangements would, if implemented by a club, constitute an adequate retention of “control” by a club upon whose premises a

third party caterer sells liquor, for the purposes of s17(1AA)(a)(v) of the Registered Clubs Act. Similar measures should be developed for hotels to ensure competitive neutrality.

- 68 That the Registered Clubs Act be amended to remove the prohibition on clubs providing off-site catering.

Chapter 14 A framework for a management plan

IPART recommends a framework for a management plan to support and guide a sustainable registered clubs industry for the next 10 to 15 years:

- 69 That the Club Industry Working Group develop a draft industry management plan by the end of June 2009. The Club Industry Working Group should consult widely with stakeholders in developing the plan.