



CORPORATE GOVERNANCE FOR WAFL CLUBS

WAFL FUTURE DIRECTION RECOMMENDATIONS

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1. Corporate Governance

Corporate Governance may be defined as “the set of processes, customs, policies, laws and institutions affecting the way in which a corporation (or club) is directed, administered or controlled.”

Inadequate corporate governance mechanisms or lack of adherence to its principles can lead to inadequate performance of businesses.

Most WAFL Clubs have experienced “mini economic meltdowns” over the past 25 years.

It is in the best interests of all stakeholders including members, supporters, players, the other clubs, the AFL clubs, the WAFC and the districts that all WAFL Clubs are well managed and adhere to sound corporate governance principles.

Elements of sound corporate governance include good business sense, objectivity, accountability and integrity.

To continue to evolve it is vital that the organisation and its separate entities continually evaluate their performance and seek ways of improving operations.



RECOMMENDATION 1:

- 1.1 That WAFL Club Boards develop strict board governance guidelines in conjunction with the WAFC.
- 1.2 That each WAFL club Board has an identified Board member to oversee and Monitor the club's governance/culture.

2. Importance of Culture

Most successful organisations have a vision and a clearly defined set of core values to ensure the achievement of this vision. This consists of the shared goals around which the team is built. Core values provide the organisation with its unity and focus.

| | | |
|----------|---|----------------------|
| Vision | → | Desired Future State |
| Values | → | What is Valued |
| Mission | → | Our Primary Role |
| Strategy | → | Choices of Action |

It is imperative that all elements of the organisation (board, management, and personnel) are fully appraised of the core values and their implications.

They provide direction during the decision making process.

RECOMMENDATION 2:

- 2.1 That all WAFL clubs are able to demonstrate a clearly defined vision and core values.
- 2.2 That this club vision/values should align with the WAFC's.

3. Role of Board of Directors

It is the responsibility of the Board of Directors to develop the organisation's directional policy, endorse its strategy, appoint and monitor its senior executives and to ensure its accountability to its stakeholders. (Members)

Ideally the board needs a range of skills and understanding to deal with the various issues it may confront and to review and challenge management performance. It needs to be of sufficient numbers and have an appropriate level of commitment to fulfil its responsibilities. A Directors' Code of Ethics should be developed and this should be reviewed periodically.

RECOMMENDATION 3:

- 3.1 That all boards fully establish and understand a Directors' Code of Ethics as well as a list of board responsibilities.
- 3.2 That all club boards conduct an Induction process for all new board members which includes a sign off process.
- 3.3 That the board responsibilities be reviewed annually.

4. Role of the Chief Executive Officer

As well as being committed to the organisation the CEO needs to work closely with the board to achieve its objectives.

The CEO should possess strong leadership qualities as well as sound managerial skills.

It should be the CEO's responsibilities to develop staff, their club loyalties and team work.

Ideally the CEO should have a strong football background together with empathy for the unique workings of a football club. Previous close connection with the club is an added advantage.

The club should ensure that the CEO possesses the corporate skills necessary for the position or has the will and the ability to acquire them quickly.

A commitment to continued self development would also be highly desirable.

RECOMMENDATION 4:

That the WAFL Club CEOs salary be built around incentives for managing their club in best practice.

RECOMMENDED CEO PERSONAL ATTRIBUTES:

1. Proven track record in management and leadership including:
 - Delegation
 - Decision Making
 - Organisation
 - Problem Solving
 - Time Management
 - Acting as a coach to staff
 - Acting as a mentor to staff
2. Financial Knowledge Including:
 - Experience in setting budgets, cash flows
 - Conducting budget review on a monthly basis
 - Ensuring cost centres are working effectively
3. Understanding of operation of Football Clubs Including:
 - Board roles and responsibilities
4. Strategic Planning Including:
 - Importance of Planning
 - Defining long range and Strategic Planning
 - A Strategic Planning Process

5. Co-ordinating Activities and Resources Including:
 - Employee and Group Performance Management
 - Policies and Procedures
 - Marketing and Promotions
 - Public and Media Relations
 - Ethics Management
 - Staff Development

6. Personal Traits
 - Confident
 - Enthusiastic
 - Street Smart
 - Wise
 - Passionate
 - Loyal

5. Financial Accountability/Sustainability

BACKGROUND:

The WAFL Future Directions report of 2006 had as one of its key goals that the Competition would be moving towards financially sustainable Clubs. A number of key recommendations were implemented and others were put aside for further investigation.

The events that engulfed the Peel Thunder FC in late 2008 as well as some Clubs continuing to struggle on a day to day basis indicate that much more work is required to achieve the goal of financially sustainable Clubs.

Club revenues and fundraising are, in most cases, at all time highs, yet, as is typical of any football Club, expenditure is generally keeping pace with increases in revenue and therefore Clubs are not becoming financially secure. This is not only an issue with WAFL Clubs – it is an issue for most levels of football.

PEEL THUNDER - THE LESSON LEARNT:

The main lesson learned by the events of 2008 is that even in the face of poor cash flow and reduced revenues to budget, the Club continued to spend its expenditure budget regardless.

The processes to ensure this does not happen in the future have been established and can be replicated or reproduced at every WAFL Club. Most WAFL Clubs already have the processes established leaving only the key question of “how do we become financially sustainable” to be answered by the current Board on an ongoing basis.

The last Future Directions report included a sustainable model that could be used as a basis for all Clubs to follow, however a Club’s propensity to spend as opposed to save makes any model put up difficult to follow.

Each Club Board needs to view finance as equally as important as football. In other words, if a Club generated a bonus \$10,000 in revenue would that bonus be used as profit and saved or spent in a non revenue producing fashion e.g. increased football dept spend. From a finance point of view, the answer is obvious but, as stated before, the reality is that it is likely to be spent on improving the Club's chances of on field success.

RECOMMENDATION 5.1:

- 5.1.1 The Board of Directors must exercise their trustee responsibilities to ensure the quantity, quality and frequency of financial reporting.
- 5.1.2 A director with sound accounting knowledge should be responsible for monitoring accounts and should ensure that they are prepared in compliance with statutory and ethical obligations.
- 5.1.3 The accounting firm which provides the regular accounting service should be independent of the firm which conducts regular audits.

Most Clubs are now operating on similar chart of accounts with the goal of all expected to be achieved during 2009. The new Service Agreement conditions in place stipulate that monthly accounts must be provided to the WAFC which allows for an independent view of each Clubs accounts. To take this one step further, a fully central accounting service overseen by WAFC would enable independent assessment of monthly accounts direct to the Club Boards. Under this model, the responsibility of preparing budgets and making decisions would remain with the Club. The reporting of the monthly performance would be independent and if funded by the WAFC, would be a cost saving for all Clubs. Another benefit of central accounting is that real progress could be made in group or bulk purchasing on key expenditure lines at all Clubs.

RECOMMENDATION 5.2:

Investigate further whether a central or external accounting service for all clubs is the best model for the competition.

Draft fees have traditionally been a valuable source of income for clubs. However, the returns have traditionally been inconsistent from year to year with clubs experiencing either feast or famine. Clubs have sometimes been caught out by budgeting for higher income from draft fees than has eventuated. Smoothing out the payments by way of a base fee (majority) and incentive/reward fee (minority) will introduce another guaranteed revenue to WAFL Clubs.

RECOMMENDATION 5.3:

Investigate further the smoothing of annual draft fees so that no Club receives zero payment in any year regardless of the draft outcome.

Similar to the central accounting service, a central payroll service is the preparation and reporting of payroll payments to players and staff not the decision making function of who gets paid what. This would remain with the Club. An added bonus of this recommendation is that salary cap monitoring is improved and potential problem areas can be identified earlier in the year.

RECOMMENDATION 5.4:

Investigate further whether a central or external payroll service for all Clubs is the best model for the competition.

Increases in the Coaching and Management grant have not necessarily led to improved financial sustainability at all Clubs. An annual amount withheld or paid direct to a Club reserve account could assist those Clubs which struggle to set aside cash annually.

RECOMMENDATION 5.5:

Investigate further whether a forced saving option from the annual WAFC Grant is necessary to ensure annual sustainability.

The main area for increased expenditure is the football department. Clubs that have resources have a significant advantage to others in being able to deploy these to create better environments for players and coaches. Similar to the philosophy behind the player salary cap, a ceiling on football dept expenditure could assist until the financial sustainability question is ultimately resolved for the majority of Clubs.

RECOMMENDATION 5.6:

Investigate whether a ceiling on Football Department Spending is necessary to assist with Club sustainability in the short term.

One of the major sources of cash available to WAFL Clubs is the revenue from gate takings. From time to time salary cap accusations are levelled at Clubs. If WAFC personnel manned the gates and took responsibility for gate and cash control this would remove one of the potential cash sources which lead to these allegations.

It may also alleviate problems similar to those which occurred at Moss Street when an unexpectedly large crowd in excess of 10,000 turned up. Funds would be paid to the WAFL Club after the event.

RECOMMENDATION 5.7:

Investigate whether the WAFL controls the gate at WAFL games.

In 2009 the WAFL Director of Finance became a formal member of the Peel Football Club's Finance Committee. The appointment gave an independent person involvement in the questioning of Club finances and therefore elevates the role of Finance in the finance versus football debate. While the WAFL Director of Finance is the preferred option due to the knowledge of issues and concerns found at Clubs an independent person could also be considered.

RECOMMENDATION 5.8:

The WAFL Director of Finance becomes a formal member of each Club's Finance Committee.

6. Developing a High Performance Culture

The quality of Corporate Governance is ultimately dependent upon the quality of personnel employed by the organisation. To capitalise on the benefits of good corporate governance WAFL Clubs need to recruit employees for solid values which align with the Club's core values as well as for their talent (attitude versus aptitude).

Clubs should also have an organisational structure that is integrated to effectively promote communication, collaboration and teamwork. A quality personnel development program is essential.

Recruit and develop WAFL staff as follows:

1. Recruit the best person for the organisation.
2. Induct them well.
3. Provide the necessary resources to do the job.
4. Have a clear staff development plan.
5. Recognise and reward achievements.
6. Empower staff.
7. Quick release if unsuitable.

RECOMMENDATION 6:

- 6.1 That all WAFL Clubs strive to achieve a High Performance culture.
- 6.2 That WAFL Clubs budget for all individual staff members to undertake ongoing personal development learning programs.
- 6.3 That the WAFL Club CEOs undertake responsibility for a staff learning plan including the online learning program.
- 6.4 That WAFL Club CEOs have this area as one of their key performance indicators.

7. Summary

For the WAFL to achieve its desired levels of professionalism in all areas, it has to commit to adopt the following principles:

1. Corporate governance processes are incorporated in the business plan.
2. There is a clear statement of core values.
3. An enlightened board that is continually evolving.
4. A Chief Executive Officer with the leadership qualities and managerial skills to successfully lead the organisation.
5. A transparent accounting system which accurately reflects the organisation's financial position.
6. A group of valued employees committed to achieving the organisation's objectives.

RECOMMENDATION 7:

- 7.1 That all WAFL Club boards build these above principles into their club management culture.