



# Vintage Motor Cycle Club Ltd

## Update to Members – Club's Finances

During the recent consultation on the future of the VMCC, the Club's financial position has come under a great deal of focus. This is quite right because without a sustainable financial model there can be no club.

You will have seen in the AGM notice that for the year to 30<sup>th</sup> September 2020 the Club made an operating loss of around £100,000.

The main reasons for this are the loss of insurance commission; in excess of £50,000, membership declining resulting in a reduction of £78,000 and our fixed costs being too high, wage costs for example were £229,000.

A detailed analysis is shown in the AGM notice.

As we entered the start of 2021, we were predicting a loss £166,000 for the year.

Although the Club has cash assets to cover this loss, if this is repeated in future years the Club will become insolvent in a few years' time.

The Board has been working hard over the last few months to analyse why we are facing this situation and to identify what can be done to preserve the Club we all love and enjoy.

### **How did we get here?**

The club has had a chequered financial background and has made a net loss in 11 of the last 20 years.

In 2014 for example the Club had 16500 members, wages (at 2020 levels) were £338,000 and Directors costs were a staggering £100,000; the Club made a net loss of £160,000.

Compared to 2016 membership had reduced to 15100, wages (at 2020 levels) were £303,000 and Directors costs were £6,500; the Club made a net profit of £113,000.

You can contrast this with the 2020 figures of 13450 members (a reduction of membership income of £58,000 from 2016), wages were at £229,000 and Directors costs of £4,000; the Club made a net loss of £100,000.

### **What have we done so far ?**

**Insurance Commission:** For many years, the Club has enjoyed significant income from the commission with Footman James. However, the insurance market place is changing and has become more competitive particularly with online retailers. It is incredibly difficult for insurance companies to give meaningful discounts to members and to give a commission directly to the Club.

In future the Club will be focusing on relationships with insurance companies who will give discounts directly to members and the Club will take no commission. This decision will lose the Club around £100,000. a year of income, but should give a greater financial benefit directly to members.

**Salary costs:** During the early part of 2020 we undertook several initiatives to reduce the running cost of Allen House. A staff restructuring exercise was carried out which resulted in salary savings of over £50,000 per year.

In addition to this in the first quarter of 2021, we again made significant changes to the staff structure which has resulted in the reduction of staff salary cost to around £99,000 (compared to £229,000 in 2020). This is the lowest level since 1999.

**Journal:** The production of the Journal was streamlined to improve quality and save costs. Journal delivered costs are currently running only at around £14 per year per member.

**Library:** We no longer employ a full-time archivist and the day to day running of the library has been taken over by volunteers. The DVLA services are being streamlined to offer a faster and hopefully more profitable service. Greater throughput has reduced the library backlog by 50% from 4 weeks to 2 weeks and we are now able to start marketing library services to non-members, where we are aiming for a net contribution in excess of £20,000 per annum over the next few years. This will change the library from being a net £60,000 cost to the Club to a positive cash contributor.

**Membership levels:** We are constantly looking at membership retention and recruitment and in future we will be asking all sections to help with this. It is encouraging that for the last quarter the membership numbers have remained stable. Our current estimate is that membership income will be £343,000 compared to £398,000 last year.

**Event organisation:** We are planning to hold National events that are run by volunteers and outsourced agencies with no net cost to the Club.

**Retail:** We have kept our retail business and raffle all of which brings in a modest net income. The sale of 75<sup>th</sup> year anniversary branded goods has increased the income by £30,000. We now have to see if this can be repeated in future years.

**Investment income:** Opening new saving accounts now brings in a modest £5,000 per year after vat adjustment.

**Cash assets:** The Clubs cash at hand is currently £780,000 compared to £792,000 at the close of last year. The aim is to bring the Club's finances under control and stop the drain on our cash.

**What else:** we continue to chip away at the inbuilt cost and look for more efficient ways to run the Club, this includes running and maintaining the bikes, finding the best insurance for the Club, making the renewals process slicker.

### **It's starting to pay off**

We have just finished a review of the potential outcome for 2021 and the good news is that we are now revising the projected short fall of £166,000 to a short fall of £117,000. We know it's still negative, but it is a big step in the right direction. Many of the initiatives undertaken can not make a full years contribution due to the timing.

### **So what do 2022 finances look like?**

By the end of 2022 we want the Club to have a stable financial position that keeps its operating cost in balance with income and we do not drain our cash reserves.

We will start the year with no expectation of insurance commission, it is prudent that we budget for membership that will most likely continue to fall, and we will probably see a reduction of £30,000 in membership income compared to 2021.

We will continue with our cost saving initiatives and keep our wages bill as low as possible the target will be to reduce the total overhead costs from the current £338,00 to £283,000 (remember this was £418,000 in 2020). This will not be easy!

The rebranding of our products should enable retail to make a good net income and the library services should start to bring in a higher level of income.

Even with the initiatives we have started the current projection is that the Club would still have a negative income of around £95,000 (compared to neg £117,000 in 2021). Therefore, we must continue to find ways to streamline the Club and increase income from our brand.

The Board will continue to work on its financial plans and keep you updated.

VMCC Board  
9<sup>th</sup> April 2021



