

13 August 2007

Mr Micheil Brodie  
Director  
Gambling Policy and Strategy  
Department of Justice  
PO Box 18055  
Collins Street East Melbourne 8003

Dear Micheil

### **Community Benefits Statements**

I refer to recent correspondence regarding the Community Benefit Statements, and in particular to the issues you have raised regarding the identification and quantification of the items that are to be included as community benefits on the statements.

On behalf of the club network, I thank you for this opportunity to comment on the current proposal and to thank you for the assistance and co-operation that has been afforded the clubs during this process. I have taken the opportunity to canvass the opinion of a number of our member clubs and also put the proposal to our Council, which process took a little longer than anticipated and I apologise for the delay in this written advice.

While, on the whole, ClubsVIC and its member clubs accept the proposal that you have suggested for reporting community benefits, it is disappointing indeed that there is any debate about the issue of the benefit of clubs to the community. I feel obliged to restate what the club network considers to be obvious, that clubs are themselves intrinsically a community benefit. Clubs are a fundamental part of the community providing the social, sporting and leisure infrastructure that keeps Victorians healthy, vital and connected. Clubs are the conduit for people to socialise, exercise, communicate, participate and generally be involved at all levels – on boards, on teams, in groups for dining, volunteering, spectating, and generally staying vital. Clubs are legally bound to provide for posterity as they are prohibited from distributing any income or assets to any individual. An investment in a club is an investment in the community itself.

In what follows in this letter I have attempted to set out the proposal articulated by you and understood by me. If I have misunderstood any matters I apologise and I would be pleased to be advised accordingly. The following articulation has the approval of ClubsVIC Council and membership.

### **Expenditure to be on a third party (and not the club itself)**

Firstly I understand that paragraph (a) of the proposed Ministerial Direction shall be interpreted or changed to allow all expenditure by a club on a community purpose that is conducted by the club itself to be included as a community benefit. The current draft provides that only those "donations, gifts and sponsorships..... *to another person*" are included. This would exclude, for example, expenditure by a club on the club's own sporting teams. Also sub-paragraph (a)(xii) will be similarly altered or expressly

interpreted so as to reverse the prima facie interpretation of the phrase "but excluding any club that holds a venue operator's licence".

### **Paragraph (a) expenditure**

The term "paragraph (a) expenditure" relates to all the purposes set out in paragraph (a) of the proposed Ministerial Order. It is my understanding that **all** costs involved in providing sports or other paragraph (a) expenditure by any club will be included as community benefits. In particular one hundred per cent of all employment costs related to the provision of these purposes will be claimable, as well as **all** capital expenditure and operational expenditure such as the provision of uniforms, maintenance of greens etc. Sports/cultural sponsorships and gifts (cash and in kind) will also be fully assessable as paragraph (a) expenditure.

### **Percentage of operating expenses including wages**

As I understand the current proposal on which you are seeking comment, clubs will be required to calculate the percentage of their total revenue that is non-gaming revenue. So, a club that receives a gaming commission of \$600,000 and all other income (including subscriptions, beverage, food, sponsorships, advertising, green fees etc) of \$400,000 will have a non-gaming revenue of 40% and a gaming revenue of 60%. It is noted that the relevant figure for calculating gaming revenue is the commission paid to the club and NOT the net gaming revenue. Further, I cannot avoid pointing out the irony of the proposed approach – the legislation requires clubs to show the community benefit that is realised from gaming revenue, and instead of showing how much of the gaming revenue it spent on community benefits, clubs will be expected to apply the *non-gaming* revenue to the provision of the community benefit. Despite the contradiction, clubs can comply.

In the above example, clubs will be able to include 40% of all the employment costs of hospitality (gaming, food and beverage) as community benefits. Employment costs will include all the same costs as have been included in CBS to date – ie management fees, WorkCover, uniforms, training, gross wages etc (see FAQ 14-17<sup>1</sup>). Clubs that have more than one venue can apportion head office expenses across each venue and each venue can claim the relevant percentage (in our example 40%) at each venue. (FAQ 13)

### **Capital expenses**

The relevant percentage of other operating costs ( in our example 40%), excluding cost of goods, will be included as community benefits. This includes electricity, consumables, cleaning, etc.

The same percentage (ie the non-gaming percentage of revenue– in the example above 40%) of capital expenses will be counted as community benefits, with the exception of expenditure on capital items of less than an amount to be set (you have indicated \$5,000 or \$10,000). Capital items that do not meet the lower limit may be able to be claimed as operating expenses. The criteria for identifying items as operating or capital expenses are yet to set, and will need to be worked through carefully. As I understand the proposal

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<sup>1</sup> FAQ refers to the Victorian Commission for Gambling Regulation publication titled: *Community Benefit Statements 2005-2006 Notes and frequently Asked Questions*.

it is not intended to require clubs to categorise capital items in accordance with tax requirements for amortisation, ie any item over \$1,000. The intention is to avoid the inclusion of problematic items such as one-off plasma screens, and at the same time allow for general refurbishments and maintenance such as painting and repairs. I await your further advices on this issue of the lower limit on capital expenses.

The same percentage (in our example 40%) of rent, principle and interest repayments and retained expenses will also be included as community benefits. The club will be able to claim the relevant percentage of all such costs – regardless of whether the costs include any expenditure on the gaming room.

### **Subsidised activities**

Identifiable discounts to members and others will be **fully** assessable as community benefits. So, a generally low-priced menu is not a community benefit – ie the pub sells a parmigiana for \$15.00 and the club sells a parmigiana for \$10.00 there is not a community benefit of \$5.00. However if the club sells a parmigiana for \$15.00 to the general public and \$10.00 to members or as a pensioner discount etc, then there is a \$5.00 community benefit.

Promotional activities that do not relate to membership or paragraph (a) purposes will not be assessable (FAQ 24).

Subsidised cultural activities, such as Italian Republic day celebrations, Danish princess' christening celebrations will be included in paragraph (a) expenditure.

### **Volunteer Services**

All volunteer hours and expenses (categories 5 & 6) are to be included in the same way as previously. This will include hours spent on the administration of the club (ie Board meetings) and volunteer hours for paragraph (a) purposes.

I note that there is some confusion relating to the inclusion of board meetings. I am at a loss to understand how it would be possible for the club to provide any community benefit if there were not volunteer boards to administer the club. It is the firm opinion of all our members that volunteer hours are a benefit to the community because without the board there is no club. As well, the opportunity to participate on a board is in itself a benefit to the community.

Again, I thank you for the opportunity to comment and I look forward to your early advice on developments in this area.

Regards

  
MARGARET KEARNEY  
Executive Director