

The Financial Relationship between OA and Member States – Consultation Paper

Background

The purpose of this paper is to initiate a discussion of financial models for the provision of member services to Orienteering Australia from its Member States/Territories and how to deal with the structural deficit that Orienteering Australia is now facing in delivering effective member services.

The 5th Edition of the Orienteering Australia (OA) Operational Manual 1.11 (refer document attached) describes the fees payable by Member States/Territories. These are broadly broken down into 3 different categories.

- State Registration Fees
- Event Levies
- Reimbursements for things such as Liability Insurance and Eventor licencing.

The system is complicated and often a cause of angst between states and OA as seen at the November 2022 Governance and Finance Workshop when financial matters were discussed. The State Registration Fee has a variable calculation depending on type of memberships, the Event Levies system has 6 different event levy calculation levels, and Reimbursable for Public Liability Insurance and Eventor have varied calculation methodologies. All three categories involve a measure of detailed calculation and issuing of invoices by OA and work by state financial officers to check and pay the invoices. This is a little mitigated by the extensive work of the OA Director, Finance to set up a series of spreadsheets. This results in inefficient use of volunteer hours in providing an income source to OA for the day-to-day operational provision of services to our Members.

The Board is of the view that Member funding to OA should meet a principle that:

“The income received from the Member States/Territories should cover the day-to-day operational costs of OA in delivering services to members as the National Sporting Organisation (NSO).”

The Board further agreed that:

“The Board will work with members to return OA to a balanced budget in 3 years in delivering services to members”

The overall income and expenditure data for OA since 2019 indicates the following outcomes alongside the Board approved budget for 2023 (refer attachment).

2019 - Surplus 31,476	2020 - Surplus 79,697
2021 - Surplus 56,306	2022 - Deficit \$41, 029
2023 -Budgeted Deficit \$32 070	

The surpluses accrued during the COVID pandemic period as a result of government financial support and an absence of any high performance activity is now being offset by a return to full operational activity through 2022. The 2022 deficit is impacted by the lag in the payment of event levies in 2021 where there was no Australian Championships and reduced event activity in several states. This was slightly offset by only employing a General Manager for 9 of the 12 months.

2023 will see the return to full operational activity. The structural deficit is \$20, 000 higher than the budgeted deficit as this amount is drawn from the Sport Australia capability building funding as is seen as a temporary measure. The other impact of the planned deficit is the return of inflation increasing operational costs and the obligation to at least maintain the real wage capacity of paid OA Officers in line with decisions of the Fair Work Commission and which is competitive in the market. It is noted that 2019 total participation of 95,716 is almost 30,000 more than the 2022 total participation of 66,568. A return to near pre-pandemic total participation in the existing structure would do much to alleviate the budget shortfall for OA.

Three options going forward are:

- 1 Maintaining the existing service fee model
- 2 A simplification of the existing service fee model
- 3 A single member service fee based on membership and participation.

Option 1 – Maintaining the Existing Service Fee Model

Fees payable by States

The following fees are payable by Member State/Territories to Orienteering Australia to help fund the operations of their National Sporting Organisation.

- a. **State Registration Fee.** An annual fee payable by each Member State/Territory to Orienteering Australia, based on the senior (adult) membership of orienteering clubs in a Member State/Territory.
- b. **Event Levies.** These are paid on a per-participant basis by Member State/Territories to Orienteering Australia for all events on a Member State/Territory fixture list.
- c. **Reimbursements.** These apply where payments are made by Orienteering Australia on behalf of all the Member State/Territories for Public Liability and Directors' and Officers' insurance and the Eventor annual license fee).

State Registration Fee

The State Registration Fee is a set total amount each year. This is split between the Member State/Territories on the basis of their share of the number of senior memberships.

The total amount of the State Registration fee split between the States (including GST) in 2022 was \$92,350 exc. GST.

Event Levies

A levy is payable per entry (or per result, as appearing in Eventor) in all events which are included on a Member State/Territory fixture list, except for international events covered by other arrangements. Events must be included on a Member State/Territory fixture list to be covered by public liability insurance. This includes events such as midweek evening events and local events organised by "remote clubs".

Events are classified in five principal categories. These, and the levy rates that have been applied since 2020, are listed

Table 1. Orienteering Australia Event Levies

Event Category	Events	Rate from 2020 (ex. GST)	Rate from 2020 (inc. GST)
1a	Australian Long-Distance Championships	\$8.70	\$9.57
1b	Australian Long MTBO Championships	\$7.00	\$7.70
2	Australian 3-Days ²	\$4.50	\$4.95
3	All other Australian Foot and MTBO Championships, State Foot and MTBO Long Distance Championships, All Oceania Championship events	\$3.60	\$3.96
4	State Middle Distance and Sprint Championships (including MTBO). MTBO National Ranking Events. Badge Events. Australian Schools Championships Events	\$2.40	\$2.64
5	All other events ¹	\$0.75	\$0.825

Notes:

1. Except for international events, e.g. JWOC, WOC, MTBOWOC, and which are covered by other arrangements
2. Australian 3 Days per competitor, per event
3. Where a competitor does not start in a pre-entry event, the levy is payable if the organisers receive an entry fee from that competitor, but not if the competitor's entry fee is refunded or was never paid.

Reimbursables

The calculation of amounts payable by states for reimbursables depends on the exact nature of that reimbursable (for example, where OA produces promotional brochures on behalf of the States, these will normally be billed on a per-copy basis).

Public Liability Insurance

The amount payable is split between the states on the basis of the number of participants that attended category 4 and 5 events over the most recently reported 12-month period, as set out in the OA 6 monthly event levies reports submitted to State Associations.

Directors' and Officers' liability insurance is rolled in with the public liability insurance and is not billed separately.

Eventor

At the OA AGM in 2016 it was agreed that the cost sharing arrangements for Eventor would be based on:

Collection of a participant event levy at Easter 3 Day and Australian Championship events - note the levy of \$1 per competitor (includes GST) is already built into the respective event levies in Table 1 above.

And the residual cost (of Eventor) shared on the basis of the number of participants that attended category 4 and 5 events over the most recently reported 12-month period, as set out in the Orienteering Australia 6 monthly event levies reports submitted to Members.

Action – Option 1

OA will increase the State Registration Fee for 2023 by applying the 2022 Australian CPI of 7.8%. This results in a State Registration Fee payable to OA of \$99,530.

OA will increase the 2024 State Registration Fee from the 2023 State Registration Fee to 2024 by applying the 2023 Australian CPI.

OA will increase Event Levies payable in 2024 by 10% over those payable in 2023. **Applying these event levies to the total number of participants in events in 2022 as per the OA Finance Director workbooks would see a total event levy income of \$98,388.**

Table 2. Option 1 - Orienteering Australia Event Levies - 2024

Event Category	Events	Rate 2024 (ex. GST)	Rate 2024 (inc. GST)
1a	Australian Long-Distance Championships	\$9.57	\$10.53
1b	Australian Long MTBO Championships	\$7.70	\$8.47
2	Australian 3-Days ²	\$4.95	\$5.45
3	All other Australian Foot and MTBO Championships, State Foot and MTBO Long Distance Championships, All Oceania Championship events	\$3.96	\$4.36
4	State Championships – Other Formats (including MTBO). MTBO National Series Events. Badge Events. Australian Schools Championships Events.	\$2.64	\$2.90
5	All other events ⁴	\$0.83	\$0.91

Notes:

1. Except for international events, e.g. JWOC, WOC, MTBOWOC, and which are covered by other arrangements
2. Per competitor, per event at Australian 3 Days
3. Where a competitor does not start in a pre-entry event, the levy is payable if the organisers receive an entry fee from that competitor, but not if the competitor's entry fee is refunded or was never paid.
4. Rounded up to nearest whole cent

Option 2 – A Simplification of The Existing Model

In this option, the three types of payments remain, but Event Levy categories are simplified.

Event Levies

An Event Levy is payable per entry (or per result, as appearing in Eventor) in **all** events which are included on a Member State/Territory fixture list, except for international events covered by other arrangements. **All events by all affiliated clubs must be included on a Member State/Territory fixture list to be covered by public liability insurance.**

Events are reclassified into four categories. These are as follows. **Applying these event levies to the total number of participants in events in 2022 as per the OA Finance Director workbooks would see a total event levy income of \$98, 849 which is comparable to vent levies as per Option 1**

Table 3. Option 2 - Orienteering Australia Event Levies -2024

Event Category	Events	Rate 2024 (ex. GST)	Rate 2024 (inc. GST)
1	Australian Long, and Middle Distance Championships (FootO and MTBO)	\$9.57	\$10.53
2	Australian 3-Days ² Australian Championships (All other Formats)	\$4.95	\$5.45
3	All Oceania Championship events, all National Orienteering League events outside of the Australian 3 Days, State Championships all formats, MTBO National Series events, Badge Events. Australian Schools Championships Events	\$3.30	\$3.63
4	All other events, including public events associated with the Easter 3 Days Prologue and ASOC. ¹	\$0.80	\$0.91

Notes:

1. Except for international events, e.g. JWOC, WOC, MTBOWOC, which are covered by other arrangements
2. Per competitor, per event (or per day in the case of the Australian 3-Days)
3. Where a competitor does not start in a pre-entry event, the levy is payable if the organisers receive an entry fee from that competitor, but not if the competitor's entry fee is refunded or was never paid.

Action – Option 2

OA will increase the State Registration Fee for 2023 by applying the 2022 Australian CPI of 7.8%. This results in a State Registration Fee payable to OA of \$99,530.

OA will increase the 2024 State Registration Fee from the 2023 State Registration Fee to 2024 by applying the 2023 Australian CPI.

OA will apply the Event Levies payable in 2024 as indicated in Table 3.

Option 3 – A Single Member Service Fee

OA levies Member States/Territories a single Annual Member Service Fee and does away with the State Registration Fee, Event Levies and Reimbursables.

This option would use a rolling 5-year average combination of event participation across all event types and membership figures reported annually through Eventor. The rationale for using a rolling 5-year average is to even out variations in membership and annual event participation. This considers the variation in the conduct of major events over the 5-year period and disruptions brought about by unexpected events such as the recent COVID pandemic. This, in combination with OA setting an agreed annual total income amount expressed as a single service fee derived from budget determinations, would be used to determine an annual percentage service fee for each member state.

For the purposes of simulation of this option a total Member Service Fee closely aligned to the 2023 budget income forecast for STATE LEVIES – EVENTS, STATE LEVIES – REGISTRATION, STATE REIMBURSEMENT – TECHNOLOGY and STATE REIMBURSEMENT – INSURANCE of $\$238,500 + 4\% = \$248,000$ is set.

Table 4: Membership and Participation Data Example from Eventor to Derive an Annual Service Fee

States	ACT	NSW	QLD	SA/NT	TAS	VIC	WA	AUS
2018								
Members	526	1276	516	517	290	639	266	4,030
Participation	11,690	21,497	7,876	10,012	8,923	22,171	3,598	85,767
Total 2018	12,216	22,773	8,392	10,529	9,213	22,810	3,864	89,797
2019								
Members	557	1386	496	383	315	668	253	4,058
Participation	15,484	27,047	9,494	5,327	7,258	24,254	6,852	95,716
Total 2019	16,041	28,433	9,990	5,710	7,573	24,922	7,105	99,774
2020								
Members	494	1475	473	429	325	628	246	4,070
Participation	11,789	20,337	14,665	5,753	7,310	21,976	2,638	84,468
Total 2020	12,283	21,812	15,138	6,182	7,635	22,604	2,884	88,538
2021								
Members	519	1439	627	445	373	563	263	4,229
Participation	10,665	23,997	10,472	5,369	7,718	10,429	4,030	72,680
Total 2021	11,184	25,436	11,099	5,814	8,091	10,992	4,293	76,909
2022								
Members	472	1,176	580	471	313	632	261	3,905
Participation	8,506	15,773	10,741	3,867	5,134	18,851	3,696	66,568
Total 2022	8,978	16,949	11,321	4,338	5,447	19,483	3,957	70,473
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Rolling 5 Year Av Total	12,140	23,080	11,188.00	6,514	7,591	20,162.20	4,420.60	85,098.20
Percentage	14%	27%	13%	8%	9%	24%	5%	OA Service Fee
Service Fee	\$35,381	\$67,263	\$32,605	\$18,985	\$22,125	\$58,758	\$12,883	\$248,000.00

Action – Option 3

The total amount payable under this option would be agreed by Member States/Territories and OA at the AGM in the Year prior to the setting of the Service Fee. The first implementation of this Service Fee model would be from 2024 payable in two instalments in May 2024 and November 2024

This option sets a single service fee to apply in 2024 at the rate of the 2023 budget forecast plus 4% in line with the RBA February 2023 statement forecasting the CPI to increase by this amount at December 2023. That would set the 2024 Service Fee in this option at \$248,000. The percentage payable by each member would be determined by the 5 year rolling average of membership and participation in the period 2018-2022 as reported from Eventor.

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