

3.2 Orienteering Australia's future financial situation

Issues

- In mid 2015, the long running annual \$86,000 Australian Sports Commission (ASC) grant that was used to fund a large proportion of Orienteering Australia's (OA's) High Performance program ceased.
- For 2016 and 2017, a stop-gap financial management approach is being used to maintain the High Performance program.
- OA's future financial sustainability is dependant on a sustainable funding model being developed for the High Performance program.
- A commitment is needed by State Associations in 2017 to a sizable increase in funding to OA from 2018 (or very soon afterwards) to allow the High Performance program to continue to operate on its current basis.

Recommendation

- OA Board prepares a paper for the 2017 Special General Meeting setting out increases in Member contributions to meet an additional revenue target of \$40,000 (excluding GST) commencing from 2018.

Current situation

2016 is the first year, for a long time, that OA has operated without an ASC grant to meet a large proportion of the High Performance program expenditure. Previously the ASC had provided \$86,000 per annum that was either earmarked for High Performance activities, or more recently, nearly exclusively used for this purpose. The ASC grant has accounted for around 50-60 per cent of total High Performance expenditure.

A stop-gap approach has been used in 2016 to maintain business-as-usual High Performance activities. In summary, this consisted of: cuts to some general and a number of High Performance expenditure items; the funding of certain general OA expenditure from the (increased) ASC Participation grant – thereby releasing some general revenue for High Performance activities; new revenue raising initiatives and finally, the drawing down of cash reserves

Issues by 2018 and beyond

The running down of cash reserves to meet High Performance expenditure is clearly not sustainable in the medium to long term. The budgeted projected average rate of run down of reserves presented at the 2016 OA Conference was for \$18K per annum over the 4-year period 2016 to 2019. That is, at the end of 2019 cash reserves were projected to be \$72,000 lower. To reiterate, cash reserves will not last forever.

Compounding this situation are doubts on the success of some of the new revenue initiatives - such as the previously projected increase in donations (\$5K in 2017, \$10K in 2018 and \$12K in 2019) and targets for elite fund raising activities (\$5K in 2017, \$8K in 2018 and \$8K in 2019). Although both initiatives have delivered some increased revenue in 2016, (general donations of around \$800 and elite fund raising of \$4000) it will require a lot more effort to reach higher sustainable funding levels from these sources, if that is at all possible.

In addition, beyond 1 July 2017 both the amount and continuity of the ASC Participation grant is uncertain. The grant is currently \$200,000 per annum, and in 2016 some of the grant (around \$25,000) was used to meet some general and regular OA expenditure items that can be tied to participation related activities – thereby releasing general revenue for High Performance activities.

However, if this grant were reduced in the future, then maintaining this approach would compromise grant funds available to State Associations for participation activities. The ASC are also unlikely to be supportive of maintaining such an approach – especially as it is used to fund regular expenditure items rather than short-term projects. Furthermore, it is not a sustainable funding model to rely, even indirectly, on this grant to meet regular High Performance expenditure. OA's future financial management sustainability needs therefore be based on reducing reliance on this approach.

Bottom line

Looking ahead, it is expected that by maintaining expenditure cuts initiated so far this will make up around \$25,000 of the ASC grant shortfall of \$86,000. Additional revenue might optimistically deliver \$10,000 per annum. While reducing the dependency on the ASC Participation grant to fund regular OA activities related to participation back to \$10,000 from the current level of \$25,000 seems a sensible medium-term approach.

Taken together, this will mean that additional revenue of around \$40,000 (excluding GST) per annum will be required by 2018 (or very soon after) to maintain the current High Performance program (which has already been subject to significant cutbacks).

Alternative scenarios

If this additional revenue is not forthcoming a number of alternative scenarios have been considered as contingency plans. All these scenarios are considered only third or fourth best options.

A summary of three alternative scenarios is set out below.

NZ model

- Adopt the NZ approach to elite teams whereby OA would only fund entry and accreditation fees for team members, and coach and/or managers airfares and only team officials accommodation for WOC, JWOC and MTBO WOC and MTBO JWOC teams
- Team members to fund all other costs (accommodation costs at associated training camps and world championship events, meals, transport to events etc)
- Potential cost saving of around \$40,000 – or in other words, the additional costs to be met by team members as a whole to represent Australia - beyond costs of airfares which are already self funding.
- WOC team members to face a higher average cost as currently a larger proportion of their team costs are met by OA.
- This is a third or fourth best option as it has potential adverse effects on elite team member availability and selection and longer-term commitment to the sport.

- Plus would be a one-off way to reduce costs and therefore does not provide a vehicle for any subsequent large increases revenue for other purposes, if required.

Volunteers to run HP program

- The High Performance program currently has 3 part-time casual employees. The Head Coach, the HP Administer and the MTBO Coordinator. Total wages for these positions amounts to around \$42,000 (with on-costs like super and workers comp.). The positions in total are equivalent to around 0.7 FTE.
- Replacing these positions with volunteers would allow all other aspects of the High Performance program to be maintained – however, this is likely to be a third or fourth best option as it could jeopardize both the running of the NOL and regular training camps for juniors and seniors.
- The volunteers willing to do this sort of work may also not be the best qualified, which could compromise longer-term High Performance results.

Volunteer EO and close national office

- The cost of the Executive Officer part-time casual position and the provision of a rented national office in Canberra is around \$40,000 per annum.
- If a volunteer could be found to fulfill the Executive Officer role and they were willing to operate from their home this would allow the High Performance program to operate as currently.
- However, again this is an option that could have significant unintended consequences if OA business compliance and governance were compromised because some tasks were left undone.
- Plus there would be a higher risk that necessary on-going liaison with the ASC could be adversely affected if the volunteer EO were unavailable for extended periods or the position was not filled due to lack of suitably experienced volunteers.

Scale of revenue target within existing OA financial structure

Under the current financial structure there are only two main sources of OA revenue from which State Associations share the operational costs of OA. These are the State Registration Fee and Event levies.

An increase in revenue from State Associations of \$40,000 would represent a 45 per cent increase in State Registration Fee contributions paid in 2016 by State Associations; or alternatively, it is nearly a 70 per cent increase in Event levies.

A combination of the two revenue sources could also be used to generate the additional \$40,000, albeit also recognising that there is more budget management predictability around an increase in the State Registration Fee. In addition, for the State Registration Fee option it would also be feasible for the (higher) payments to be made by State Associations in two tranches during the year, rather than one at present, to help in cash flow management.

A further benchmark to put the target revenue amount into perspective is to express it as an average dollar cost per participation in orienteering events. Based on 2015 data the total revenue target compared with the current situation would be:

Revenue source	Current average cost	New average cost
State Registration Fee	\$0.89	\$1.30
Event levies	\$0.61	\$1.02

If the recommendation set out in this paper is widely accepted, feedback is sought from Members on the preferred way to obtain the additional revenue of the two options mentioned above

Note that with changes to the operations of the AO magazine underway there may be some windfall gains to State Associations from the uptake of on-line version of the magazine if current membership fees are maintained. This could release funds to meet some of the above proposed revenue increase.

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