

The Funding Question – discussion to date

Over a few days I've presented a rationale for the Board decision to propose an increase to the income generated from within orienteering and I've tried to answer a few of the questions that have risen since the AGM proposal to raise membership fees and levy was published.

The questions I've tried to provide some background on or provide my views on are:

- a) Should British Orienteering continue to be a 'National Governing Body of Sport'? 1
- b) What level of funding is required to act as a National Governing Body of Sport? 3
- c) How we might plug the gap in funding; what are the options 5
- d) How should I vote at the AGM on the Board proposal to fund British Orienteering? 8
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I hope you will now feel confident that you know the background to the decision to place the proposal before you and can cast your vote confidently. However you vote, we want to understand where you stand on the key issues.

Should British Orienteering continue to be a 'National Governing Body of Sport'?

At one level this is a simple question to address; if we are not the National Governing Body of sport for Orienteering some other organisation could decide that it will be!

British Orienteering is a company limited by guarantee and this provides protection for the directors, officers and members whilst requiring British Orienteering to act in certain ways and be scrutinised by external bodies. The members of British Orienteering have taken the decision to be a company limited by guarantee and I'll take this as a given.

Whilst acting as a company the membership of British Orienteering have another choice, to be a 'club of clubs' or, to be a National Governing Body of Sport.

To consider these choices, you need to understand the differences between the options.

'Club of Clubs': In this scenario British Orienteering acts as a club, pulling together the efforts of its members and 'sub'-clubs with little concern or involvement in wider sporting matters. It will inevitably be inward looking and fairly isolated from the wider UK sporting environment. The organisation will still govern the orienteering that takes place within the club structure and will still deliver the membership system, event scheduling, talent development and performance, etc.

The organisation and our clubs will not be entitled to bid for many forms of government funding although may still be able to bid for some non-governmental funding. There will still be a need to follow through on company law, insurance, safeguarding, Health & Safety matters, etc.

Arguably in this scenario British Orienteering as the 'Club of Clubs' could function in a more minimal way than at present and exist with 3 or 4 staff whilst requiring volunteers to do many of the tasks

currently undertaken by staff – of course volunteers will also continue to be required to deal with many operational matters in areas such as events and competitions.

National Governing Body of Sport: To achieve this status there are criteria that need to be met and scrutiny is meticulous and annual in nature including gaining the 'Good Governance kite mark' that is required. With this status and recognition British Orienteering and its clubs have the opportunity to gain government funding, we are a part of the wider UK sporting environment and able to network and learn from other NGBs and national partners. We sit in the IOF as a NGB and represent our views internationally. We gain help in many ways and are spoken with, consulted with and able to shape some aspects of UK sporting life. NGBs are a powerful group of bodies when acting together and have influenced government thinking.

Support is available to deal with many of the statutory requirements put upon sport and advice is relatively easy to source. Insurance is more straightforward to purchase and cheaper due to the status and there is assurance to our many partners that British Orienteering is a reputable company and will act in a responsible manner.

Partners and members of the public know there is an employed staff available to deal with many matters in a timely manner. Partners include many landowners and organisations that will deal with British Orienteering and our clubs because British Orienteering is a NGB; many of them would think twice before dealing with a small sporting business that is not a recognised NGB.

So, my opinion? I think it is feasible for British Orienteering to be a minimal 'Club of Clubs' and whilst orienteering will continue in the short term much as it is now it will probably lead in the longer term to an eventual decline in the infrastructure of orienteering at all levels.

On what do I base this opinion? I think that if members allow British Orienteering to become inward looking, orienteering will slowly lose the volunteers it so depends on and cease to attract newcomers. There is plenty of evidence that 'pay and play' is becoming the normal environment for sport and this impacts hard on orienteering – who will organise events in the years to come? Where will the next generations of volunteers come from? As a NGB British Orienteering can gain funding and support both to develop the next generations of volunteers and to learn how we can stage orienteering in ways that will be successful in years to come.

Personally I believe the preponderance of older people administering clubs and organising events is essential to orienteering at the moment but, and I accept many of you may disagree, there is a reluctance to change and a tendency to look backwards to the 'golden' days. We need external pressures to help orienteering meet our challenges and change in line with society (even if we don't like those changes!) in order to ensure there is a bright future for the sport.

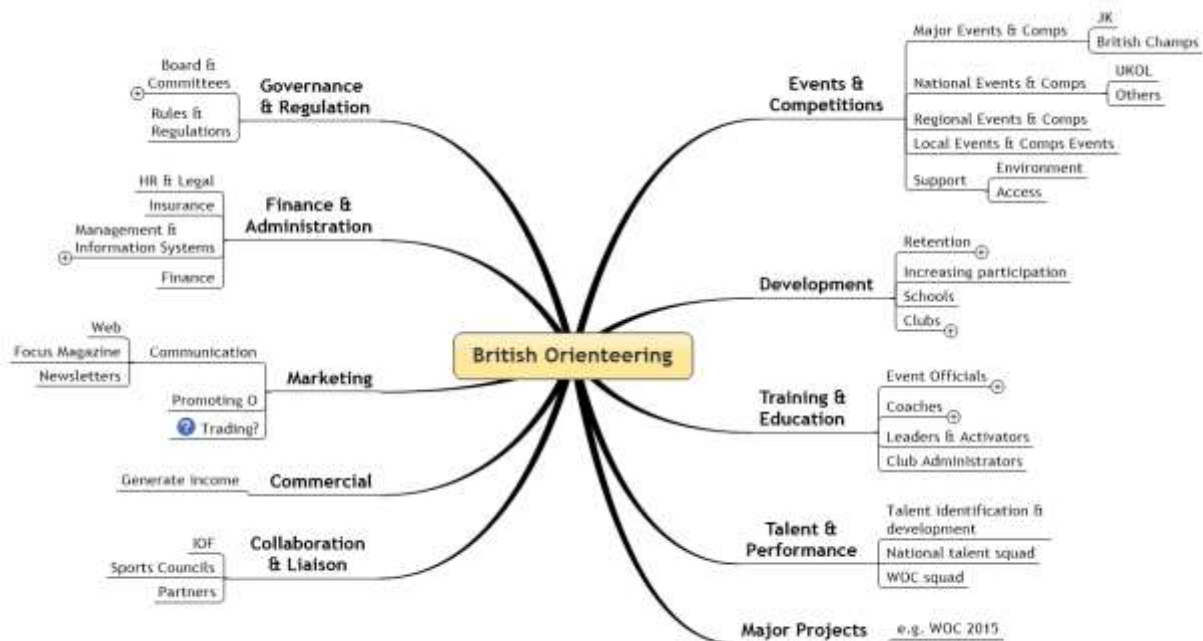
I believe orienteering has a bright future and can tackle the challenges it faces; I'm sure that will be far easier acting as a NGB of sport looking outwards and working collaboratively with partners that also believe we and orienteering have something to offer and are worth working with.

Regardless of all the positive reasons why British Orienteering should maintain our NGB status I also suspect that many members would be surprised if we ceased holding NGB status with a National Office and staff at how many aspects of orienteering would become more difficult!

To be blunt, I think that orienteering needs the recognition of being a NGB.

What level of funding is required to act as a National Governing Body of Sport?

On the assumption that British Orienteering wishes to maintain the recognition of being the National Governing Body of Sport for orienteering there are functions and responsibilities that need to be delivered. These can be summed up as:



So, what are the costs of delivering such services and functions?

Taking the current 2016 budget we can make a fair estimate of the costs. The following table has been published in Focus and provides a good foundation for this discussion.

Column A: The expenditure area and brief description

Column B: The current 2016 Budget containing Salary costs (and recharge to Sport England) and the funded programmes

Column C: 'Strategic Budget' which contains the same expenditure but without any funded programmes or government funding support

Column D: 'Most Prudent' budget containing a very prudent expenditure – probably the minimum that British Orienteering can deliver and still provide the majority of the services expected of a NGB; it contains no salaries, no programmes, no Focus or membership mailings; although a national office is included

The Funding Question

| EXPENDITURE | 2016 Budget | Strategic Bud' | Most prudent NO SALARIES |
|---|--------------------|-----------------------|-------------------------------------|
| Membership, Focus & Mailings | £ 25,000 | £ 25,000 | |
| Membership, Insurance, WRE & IO fee | £ 13,500 | £ 13,500 | £ 13,500 |
| Membership, Web-Database-Online memb cost | £ 10,000 | £ 10,000 | £ 10,000 |
| Membership, Other | £ 500 | £ 500 | |
| Events & Comps, Support | £ 4,000 | £ 4,000 | |
| Events & Comps, Other | £ 1,000 | £ 1,000 | £ 1,000 |
| Governance, AGM, GM & Conferences | £ 2,000 | £ 2,000 | £ 2,000 |
| Governance, Board | £ 6,000 | £ 6,000 | £ 6,000 |
| Governance, Committee & Groups | £ 5,000 | £ 5,000 | £ 5,000 |
| Governance, Affiliation to IOF | £ 6,000 | £ 6,000 | £ 6,000 |
| Developing the Sport | £ 100,621 | £ 18,000 | |
| Perf. Talent Development | £ 200,249 | | |
| Perf. WOC Squad Support | £ 21,280 | £ 21,280 | |
| Perf. TrailO & MTBO | £ 2,000 | £ 2,000 | |
| Salaries | £ 444,059 | £ 175,622 | |
| Salaries recharge (Sport England) | £ 107,763 | | |
| Pension Contributions | £ 3,766 | £ 1,420 | |
| Training, Staff | £ 2,000 | £ 2,000 | |
| Expenses, Travel & Subsistence | £ 31,700 | £ 12,500 | |
| Expenses, IOF Post holders | £ 2,000 | £ 2,000 | |
| National Office & Overheads | £ 77,630 | £ 47,910 | £ 47,910 |
| Promoting the sport | £ 10,000 | £ 10,000 | |
| Finance, Audit, Bank Charges & Interest | £ 5,900 | £ 5,900 | £ 5,900 |
| Corporation Tax | £ 1,120 | £ 1,120 | £ 1,120 |
| Total Expenditure | £ 1,083,088 | £ 372,752 | £ 98,430 |

In 2016 we are planning to raise £240,000 from membership, levy, major events and trading which leaves around £142,000 when the 'prudent' budget is considered. This £142,000 can be used for employment costs and any small programmes that are considered a priority.

To maintain a small staff of 4 will cost approximately £100,000 and then approximately £25,000 for each additional members of staff – this is a very rough approximation as it will depend on experience, specialist skills etc. Based on our current staffing model the on-costs associated with our 6 National Office based staff are approximately £163,000. The precise staffing structure will need to be determined at a later date when the Strategic Plan is agreed and the funding situation confirmed.

Assuming the decision is to maintain our status as a NGB of sport and able to deliver reasonable services to members and clubs we need to cover areas of work including, talent & performance, development in some form, and then at least 2 or 3 from events & competition, training & education, marketing and commercial.

This leads us to the position where to cover the functions and responsibilities identified in the diagram above British Orienteering will need a staffing structure of 6 or 7 full time equivalents. There will still be gaps in services which will need to be covered probably by volunteers.

The Funding Question

This structure with expenses and a small amount of programme leads us to a required expenditure figure of at least £275,000.

In summary to deliver a viable British Orienteering organisation functioning as a NGB and delivering an operation as minimal as possible will cost £275,000. To deliver what we are currently delivering without the government funding will cost £372,752.

This is against an income that is projected at £240,000 in 2016 with the current membership and levy fees.

Financial Reserves: At the moment I've left our financial reserves out of this equation. The reserves are currently at a healthy level, £489,221 and exist to help British Orienteering in the situation of a crisis that we need cover for. It is perfectly reasonable for the Board to use the reserves to deal with a crisis such as loss of funding although they are conscious that the reserves can only be used as a temporary measure to transition us from one funding scenario through a crisis to a longer term financially viable solution.

How we might plug the gap in funding; what are the options

Over the last few years the discussions around the funding of sport have been on-going, probably due first to rumour and then more substantively about how government funding, delivered through the sports councils will be changing.

National staff work closely with Sport England and Sport Northern Ireland and through a variety of formal and informal channels we have been hearing discussions about how funding was to be cut significantly (changed overnight by the November budget) and more lately how funding could be more effectively spent by investing more in non-NGB organisations. The latter particularly applies to 'increasing participation' where Sport England working through NGBs has had little impact on participation whilst the investment they have made to the likes of Sky Ride, StreetGames and parkrun have seen significant increases.

We now have statements from Sport England, the sports council that has invested significantly in British Orienteering, that 'core' funding will be stopped and funding will be focused on the delivery of 'interventions' that are target driven. NGBs will have the option to bid for intervention based programmes but a wide group of other bodies including commercial organisations will be approached to submit schemes also. Funding will be ring fenced and only used against the programme.

The impact on British Orienteering is significant as we, like most other NGBs, use funding delivered through Sport England to underpin much of our core infrastructure including the National Office, most staff, etc.

So, that's the background to our need to raise income, what has the board considered during the discussions that led up to the proposal put before the AGM?

What follows is a brief summary of the wide ranging discussions that have taken place over the last 18 months or so.

Membership Fees: Generally, many people pass comment that membership is 'cheap' and that the value of the membership benefits are considerably more than the cost of membership. Compared to most other membership type organisations of a similar size £5 is remarkable value.

When the AGM considered the changing of the membership scheme in 2012 it was on the basis that reducing the membership fee to £5 from 2013 would lead to an increase in members. Did this happen? I've certainly debated this on many occasions with members and other staff. In my opinion it was a successful change; we went from 10,869 members in 2012 to 10,022 in 2013 a loss of 847 members, many of who were family members who rarely if ever orienteered. We have then increased the number of members to 10,939 in 2015 and almost all actively orienteer. The membership fee has remained at £5 since 2013.

Levy: The levy is a good way of spreading the burden of generating income as it is paid by all participants that take part in 'competitive' orienteering, that is event level D through A. Levy was set at £1.10 in 2013 and has been increased to £1.25 in 2016. Board members that orienteer frequently felt that increasing the levy would have an impact on the local events in particular.

There have been discussions about other ways in which levy could be charged which might enable the lower levels of competition to maintain a relatively low levy whilst higher level events might be accepting of a higher levy. Unfortunately, the statistics make this a challenging task as participation is higher at local events. Based on the average participation figures over the last 3 years Level D is 43% of the total participation that pays levy, Level C 25%, Level B 21% and Level A 11%. It might be feasible to increase levy payable on UKOL races.

The Board considered raising the levy more significantly and concluded that the impact of a significant increase in levy might be to reduce participation particularly at local events (Level D).

Major Events: We currently generate about £25,000 annually for British Orienteering from the JK and BOCs and this figure has stayed fairly static for over 10 years. We do hear lots of comments about the 'high' cost of entry for the major events and the Board were reluctant to increase income from these events. To complicate the position, we are currently trying to find a better way of staging the major events, the so-called 'super levy' model and the 'partnership' model. From an income generation perspective, it seemed sensible to leave these events alone at least for a few years.

Commercial Activity: An interesting area of work! Experience over the last few years indicates that it is almost impossible to gain sponsorship – the days of sponsorship are now over across sports with most 'sponsorship' deals being commercial partnerships where all partners benefit. We know you are comfortable with us making commercial arrangements when they do not impact on you our members and participants. We have some deals like this such as with the Youth Sports Trust (kit in primary schools) but in reality they only make small amounts of money or produce 'in-kind' benefits.

We know we can make money from such things as traders around our major events but there is an understandable reluctance amongst a section of the membership for us to do this.

So the Board came to the conclusion that even if we could generate commercial income it is unreliable and unlikely to be of significant impact. Most arrangements come with considerably resourcing needs making the 'free' income generated often small in relation to the 'real' costs.

Trading: We currently generate some income from trading, for instance we sell Teaching Orienteering and make a small profit but once again the Board considered trading to be unreliable and unlikely to generate the significant increase in income we are seeking.

Decision time

The Board came to the decision that the only reliable way in which to increase our income is to increase membership and/or levy.

Having determined that we need to generate an increase in income of approximately £80,000 to continue to deliver our core services and act as a NGB of sport, the Board considered how we could configure an increase in membership and levy in a way that you, our members, might have sympathy with.

The options are permutations of the balance between increasing the membership fee and levy. There are many permutation including:

Currently the 2016 Membership is £5 and the Levy £1.25

1. Membership to £15 (juniors £5) and Levy to £1.35 – has least impact on participants/events
2. Membership to £10 (juniors £3.50) and Levy to £1.75 – may impact on participation
3. Membership to £8 (juniors £2.50) and Levy to £2.00 – maintains the balance of membership:Levy agreed at the 2012 AGM.

The Board discussed what would happen if the proposal was split with one proposal dealing with the membership and one with the levy but decided it is the combination of the two that is required to generate the income and it was more appropriate to deal with both together.

What would happen if the voting membership turned down the proposal? The Board discussed the feasibility of holding an EGM later in the year if necessary when the Board could be guided by the views of the voting members. Alternatively, the Board could use the reserves to tide British Orienteering through to the 2017 AGM but this was considered the riskiest solution and one that could only be used with the agreement and knowledge of the members.

The Board decided to put option (1) in front of the membership based on ‘car park’ discussions and a reluctance to increase the levy significantly in case it impacted on participation particularly at local events where clubs work so hard.

The Board also accepted that we could make cuts to our budgets to operate on our current income but this would mean accepting the reduced role British Orienteering would play and the longer term impact on the sport.

How should I vote at the AGM on the Board proposal to fund British Orienteering?

To date I've tried to use this series of articles to provide you with some facts and information setting out the background to the funding proposal presented to members prior to the 2016 AGM. It's important to me and the Board that our members understand the background to the proposal.

As an employee I don't think it's my role to try to convince you about how you should vote – I do think it's my role to try to help you understand the background and help you be aware of the possible consequences of the decision.

I'll try to sum up:

- a) I've assumed that the majority of you want orienteering to be governed by a National Governing Body that is able to meet the wider expectations associated with this status; and that includes certain functions and responsibilities that would not be required if British Orienteering is only inward looking, the membership and little else. If I'm wrong in my assumption, please tell me or Board members in sufficient numbers so that we can bring this matter to the 2017 AGM and have a full and proper vote on the matter.
- b) British Orienteering can continue with the current level of funding – it will still be recognised by the International Orienteering Federation (IOF); it will be able to service many of the membership requirements but will not have the resources to work with the external partners we currently work with. Volunteers could pick up some of this work but how many volunteers want to and have the time?
- c) I've presented facts and figures that demonstrate that if British Orienteering is to act in the wider capacity of a National Governing Body of sport it requires a minimum of £35,000 of additional funding from within the sport from 2017 onwards. And that figure really is a minimum, I think my rationale indicates that to function effectively, but at a lower level than the current standards of service, will require at least £80,000 of additional income. But this is my opinion; my logic may be wrong in which case please tell me.
- d) I've rationalised that if income is to be raised in a sustainable way then the only real opportunity to do so is through increases in membership fee and levy.
- e) Increasing membership may have a significant impact on Scotland, Northern Ireland and Wales where government funding is allied to membership growth. Membership fees have been £5 since 2012 and are seen as being lower than most other similar member organisations. Raised membership fees may result in a decrease in the number of members.
- f) Increasing the levy may have significant impact on participation particularly at local, level D events; Sport England funding is allied to participation not membership.
- g) To raise £80,000 through membership fees and levy is feasible and I've presented a number of options as to how this could be achieved; I've provided the Board rationale for proposing the significant increase in membership fees and a lower increase in levy.
- h) I've identified that we do have considerable reserves that could tide us over a transition period but that reserves can only be used once. I think that the Board will need to know that members are aware of any plan before using a significant proportion of our reserves to fill a shortfall. The Board may decide to only use significant reserves if there is a longer term solution to the funding problem in sight – otherwise the Board may as well take the hard decisions now.

The Funding Question

If my assumptions are correct – and I accept it's a big 'if'; the discussion comes down to two points:

1. Will the discussion and the vote at the AGM be a vocal minority who are prepared to argue their point strongly? Or, will the 'silent' majority provide the Board with their views, either in the form of a vote or by communicating them by email, by phone or in person at the AGM?
2. If we are going to raise the additional income through the membership fee and levy what permutation of increases will the majority of our voting members be comfortable with? It's already clear from our 'vocal' minority that there is a degree of polarisation and we need a compromise that members with the two polarised views can accommodate.

If British Orienteering is going to act in a wider capacity as a recognised National Governing Body of sport and we can agree that to do so requires additional income then whether the proposal is adopted or not becomes a secondary issue – provided we can gain sufficient understanding of our members views that we can come to an agreed, compromise over the way the additional income is generated through the membership fees and levy.

Voting

You must decide whether you vote and how you will vote but please do consider the bigger picture and let us know your views on the key questions:

- Do you agree British Orienteering should maintain the ability to act in the wider role expected of a National Governing Body of sport in the UK?
- Do you agree that any additional income should come from a combination of increases across membership fee and levy?
- What balance do you want to see between increases to membership fee and levy – or are you comfortable with the 2012 AGM decision that the budgeted income to be raised from membership fees should not exceed 25% of the budgeted total income to be raised from membership fees and levy?

Consequences

Whatever the decision:

- British Orienteering will continue to function, be a member of the IOF and govern the sport within the UK.
- Plans will be drawn up for British Orienteering to operate at the level of funding agreed.

If the decision is a 'No':

- The Board will take guidance from the AGM and any members views presented to the Board.
- A decision will be taken about whether to bring back a modified funding proposal to an EGM or the next AGM.
- If appropriate a decision will be taken about whether to use reserves in some way whilst a longer term solution is agreed.

Finally

I've been challenged about whether it is appropriate for a Chief Executive to be communicating with members in this way. Personally I feel it is and that it is essential that I do otherwise how will members be informed about the background to such matters?

I've also been challenged on whether this series of short articles can be described as a 'discussion'; probably not in that there is no way for others to join in. In my own mind I think of it as a discussion in that I appreciate a number of views and do find myself 'discussing' topics internally. I have brought the views and ideas of other people to the 'discussion' albeit in my own words. In this instance I thought it was probably the most effective way to communicate the discussions that have taken place.

How can we fund British Orienteering to assure the future?

If you've followed the discussion through to this point you will appreciate that there are a number of matters to be clarified before we can develop a robust strategic budget and address the issue of how we raise funds from within the sport.

The key questions will include:

1. What sort of National Governing Body of Sport do we want British Orienteering to be?
Inward facing and primarily focused on servicing member and club needs – or outward facing, being able to meet the needs of members and clubs whilst also being able to deal with organisations interested in developing orienteering and the use of orienteering outside the direct orienteering family.
2. What are the realistic costs in maintaining British Orienteering able to deliver on (1)?
3. How should income be generated to cover these costs?

The Board believe British Orienteering should be an outward looking NGB, able to develop orienteering as a sport within the UK. The Board also agree that British Orienteering should be in a position to access government funding when the funding programme is in line with the strategic objectives of British Orienteering.

The Board believe this requires a minimum staffing structure that will be determined once the work on the Strategic Plan has been finalised and the Plan agreed.

We have a good picture of the costs which we have already shared with members along with the knowledge that a realistic but fairly minimal British Orienteering operation will cost around £275,000. To deliver the services currently delivered will cost approximately £375,000.

So these are the costs, what of the income?

Removing government funding from consideration, our current income is generated in the following manner:

- Membership fees (£51,429 in 2015)
- Levy (£130,394)
- Major events (£27,000)

The Funding Question

- Trading & commercial activities (£38,910 almost all used to service the same activities)
- Athlete contribution to talent & performance programmes (Net £0 as it is used directly to fund athlete travel, accommodation, etc)

If we discount the Trading & Commercial activities the total income is approximately £209,000.

This means to operate in the way the Board believes is appropriate there is a shortfall of £66,000 based on the minimal structure. This figure will be less in 2017 as we will continue to be supported by Sport England for the first quarter, to the end of March.

The Board believes the only realistic viable sources of income are membership, levy and major events.

I think we have tried in the past to equate an income stream with an expenditure stream, for instance:

| Income stream | Expenditure |
|----------------------|--|
| Membership | Governance: AGM, Board & steering groups Insurance IOF affiliation Banking, audit |

Personally I think this is quite a dangerous approach as so much of our expenditure is shared across the income streams associated with membership and levy; for instance, is insurance associated with member or participation? Similarly, National Office and staff costs are also shared across both income streams.

An easier approach is to agree a balance between the budgeted income through the membership and levy/major events. For instance, we could take the 2012 AGM proposal that was adopted with the balance between the two budgeted income streams of not greater than 1:3 respectively. That means that if we are budgeting to generate £275,000 we would be aiming to bring in £65,000 from membership fees and £210,000 from levy and major events.

Based on the 2015 membership and participation figures this would result in membership fees of £7.50 senior and £2.50 junior and a levy of £1.75 which will generate just over the annual £275,000 required. This means that membership is less than the 1:3 ratio but only by 2%.

Then in future years we increase income to match inflation or if we agree a particular need/expansion with members we can easily calculate the membership and levy income required to meet the target figure.

Other approaches to generating income might include:

- We could reconsider the national/local membership scheme: experience would indicate that it wasn't a good scheme as the number of national members declined as people realised they could do much if not all of their orienteering reasonably locally and pay less as a local member. It put pressure on to have a higher National membership fee to accommodate the lower local membership fee.

The Funding Question

- Reconsider the levy approach to different categories of levy based on the 'level' of an event. Again we have experience of such a scheme which indicated it corrupted the event level structure with some clubs choosing to put events on at a lower level to avoid the higher rate. It's also true that currently around 43% of participation is at Level D which means any differential levy becomes challenging with higher costs impacting mostly on participants at event levels C through A. It's also possible to anticipate that the events being placed at Level D would slowly increase making the differential levy scheme even more taxing on those participating at higher level events. In reality we want to encourage people to participate in the higher level event not tax them for doing so.
- Charging a higher levy for participants on UKOL competitions which creates a differential by competition rather than event levy. This also might put participants off competing in a slightly higher cost event.

In my opinion all of these possibilities are more complex and, being a fairly simple person, I prefer to keep the membership and levy schemes as simple as possible!

Hopefully I've given you a reasonably insight into the thinking of the Board when it created the membership and levy proposal for the 2016 AGM. It is without doubt true that the Board in putting the proposal before members wanted to engage members in discussion. I also hope that I've helped you think through some of the ideas about how British Orienteering can be funded in the future.

We now need to know your views so that we can take them into consideration whatever the outcome of the vote on Friday.

Mike Hamilton