



# AN EQUITABLE APPROACH TO CLUB LEVIES

**Yachting Queensland**

[sailing.org.au/qld/](http://sailing.org.au/qld/)

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## Introduction

Following the national Club Levy Harmonisation Project by Australian Sailing a uniform national model was recommended to all states and territories. The new structure was designed to harmonise fees and the funding of the sport so that it is equitable and nationally consistent across clubs.

The national model is a Banded Fee Model that groups together peer clubs across the country. As this model is significantly different to the fee model previously used in Queensland, the Board of Yachting Queensland has taken additional time after the adoption by the other territories to undertake a deeper review of the national model and how it can be applied to the unique circumstances of clubs in Queensland.

Key features of the new National Club Levy System include:

- Clubs are grouped with their peers from around the country for equitable contributions to the sport. This also removes the perception that peer clubs receive different levels of support from Australian Sailing due to differing fee levels between states.
- Provides budgeting certainty for both Clubs and Australian Sailing as the band fees are set in advance and do not fluctuate directly with membership numbers.
- Reinforces that Clubs are the members - removes direct reference to individuals.
- Ensures the financial footing of the sport is sustainable.

To address issues raised during the Queensland review of the proposed model a number of adjustments have been made to provide greater levels of clarity and definition around the terms used, the way in which criteria are applied, and the unique aspects of sailing in Queensland are taken into consideration to appropriately align with interstate peer clubs.

For Queensland clubs, this is a move away from the capitation model where affiliation fees were based on numbers of individual sailing members within each club. The new model is based on a single fee to the club and does not directly reference the number or category of members at a club.

This document is intended to provide clubs a detailed guide of the new Affiliation Levy system.

Any terms in *italics* are defined in Appendix A – Definitions.



*"An equitable and nationally consistent approach to fees."*

## The Band Model

The National Club Levy System utilises 22 bands to group peer clubs and allocates a fee to each band.

Banded models work when there is stability for clubs in the bands they are allocated to. Bands need to be wide enough to encourage growth and allow for club financial planning, but a review mechanism needs to ensure that the banded system can address movement of clubs that grow or contract. The number of bands also needs to be sufficient, and the steps

manageable, so that movement between bands is not a financial shock when clubs do need to move.

Unlike fee systems that are based solely on levying fees on a per member basis, a banded system will allow clubs to focus on growing their membership without having to worry about being penalised for each new member they introduce. In this way a banded model will provide clubs with incentives to grow.

*There are three steps in the process of allocating clubs to bands within the system:*

- 1. Split clubs into Categories A and B for initial ranking*
- 2. Rank clubs within each category using simplified gross-measure criteria*
- 3. Peer-to-peer alignment of the ranked clubs to ensure equity*

## Ranking by Activity Level

To begin the process of assigning clubs to bands the clubs need first to be ranked in order of the respective size. As the operations of each club around the country varies significantly it is too cumbersome to compare every feature of every club at once and so the clubs are firstly broken into two categories based on a two out of three assessment against key criteria.

Clubs that meet two out of three of the following criteria are allocated into Category A:

1. Is there *Professional Club Management*
2. Does *Total Revenue* exceed \$100,000
3. Do *Total Members* exceed 200

Category A	Category B
larger clubs that have more empirical data available for comparison and generally contribute a greater level of funding.	smaller clubs with generally lower turnover where membership numbers are a truer reflection of relative size.
Bands 1-12 *	Bands 13-22 *

\* The category breakdown is used only for the purposes of allocating a ranking methodology and the initial band allocation. Once later steps in the process are applied it is possible that some clubs from Category A may be peer aligned to a band below 12 and some clubs from Category B may be peer aligned to a band above 13.





### Category A Initial Ranking Methodology

Because of the more detailed and reliable financial information available from clubs allocated into Category A, the initial banding allocation here uses a formula based on a combination of *Membership Income* and *Total Revenue* to determine a gross-measure of each club's relative activity level.

The formula uses an 80/20 weighting of *Membership Income* /Other Income and then assesses the result of this calculation of each

club against the total calculation for all Category A clubs. The result of this process generates what is termed an *Implied Fee* for each Category A club which is used to sort the clubs into a rank order. The *Implied Fee* is not directly linked to the levy a club pays, it is used only for ranking.

### Category B Initial Ranking Methodology

Within the smaller clubs of Category B the use of financial data is not as reliable an indicator of activity levels. The initial ranking is therefore done based on the *Total Members* numbers.



### Peer-To-Peer Subjective Adjustments

In the third stage of the band allocation process the clubs' initial allocations from stage two will be refined by the application of subjective criteria. This stage is to assess on a case by case basis the individual circumstances of each club that are not captured in the empirical data. This process is undertaken by Yachting Queensland Board members and regional Australian Sailing staff who have an understanding of the clubs from their on the ground experience of working with them.

The subjective assessment primarily utilises the four criteria outlined below with the main intent being to match clubs with their peers in the bands. In some circumstances a subjective adjustment may move a Category A club to a band below 12 or may move a Category B club to a band above 13.

In order to allow for the subjective adjustment process to be independently reviewed, Yachting Queensland and Australian Sailing will keep records of the subjective factors taken into consideration at the time of banding allocation.

### Membership Composition

Clubs will be matched with like clubs based primarily on the numbers of members who participate in sailing events at least once a year. This will be a very subjective consideration and unless Clubs provide full transparency on member structures and participation that allows at least a high-level confidence in the proportion of sailing members the adjustment

*"Subjective adjustments allow for consideration of the unique characteristics that make each club different."*

will occur solely in relation to social members whose involvement with the club is clearly limited to access to food and beverage facilities only.

Other sporting activities run within the club structure will be considered on a case by case basis where they impact the membership numbers.

### Australian Sailing Services

Clubs that run events and activities that interact with Australian Sailing initiatives or support are more likely to be in the higher bands than the lower bands. This includes both direct engagement with Australian Sailing services, resources and programs, and indirect benefit through use of safety and event governance frameworks.

The following table is a guide to how the characteristics of clubs' use of Australian Sailing's services and programs fit within the band system.

Band	
1	<b>State Leaders</b> Extensive professional management. Teaching and training with a coaching focus extending to international competition. High engagement with AS services.
2	
3	
4	
5	
6	
7	<b>Sophisticated</b> Professional management of sailing Medium to high interaction with AS services and programs.
8	
9	
10	
11	<b>Community</b> Operations lead by volunteers with a participation focus. Moderate use of AS services to supplement volunteer capability.
12	
13	
14	
15	
16	
17	<b>Enthusiasts</b> Small groups with minimal use of AS services and programs
18	
19	
20	
21	
22	



### Nature and Frequency of Events

The number and scale of events that clubs run is used as a key indicator of the relative activity within a club. The nature of these events also plays a significant part in the amount of engagement with Australia Sailing's services to support the delivery of the event.

Generally, the greater the number of events, the larger the scale and the greater the engagement with sailors outside the club, the more likely that a club will rank higher in the Bands.

The following table is a guide to how the level of events each club hosts fit within the band system.

Band	
1	<b>World Stage</b> Regularly host Internationally recognised events. Multiple National level events each year.
2	
3	
4	
5	
6	
7	<b>National</b> Nationally recognised events attracting interstate participants.
8	
9	
10	
11	<b>Regional</b> State level events with occasional mid-sized national events.
12	
13	
14	
15	
16	
17	<b>Local</b> Club events only
18	
19	
20	
21	
22	





## Scale of Professional Club Management

The size and nature of professional resources committed to sailing activities may be used to align like clubs.

Clubs with sailing services management staff will rank higher than those who use part-time staff or volunteer management.

## Band Fee Scale

Based on the current forecasting the following are the proposed band levies for the next three years. These figures do not take into account the Transition Period that may apply to some clubs.

Band	2019/20	2020/21	2021/22
1	\$128,520	\$131,090	\$133,712
2	\$90,780	\$92,596	\$94,448
3	\$77,010	\$78,550	\$80,121
4	\$64,260	\$65,545	\$66,856
5	\$53,550	\$54,621	\$55,713
6	\$42,840	\$43,697	\$44,571
7	\$32,130	\$32,773	\$33,428
8	\$29,070	\$29,651	\$30,244
9	\$24,480	\$24,970	\$25,469
10	\$19,380	\$19,768	\$20,163
11	\$14,790	\$15,086	\$15,388
12	\$11,730	\$11,965	\$12,204
13	\$8,568	\$8,739	\$8,914
14	\$6,936	\$7,075	\$7,216
15	\$5,610	\$5,722	\$5,837
16	\$4,284	\$4,370	\$4,457
17	\$3,162	\$3,225	\$3,290
18	\$2,652	\$2,705	\$2,759
19	\$2,142	\$2,185	\$2,229
20	\$1,530	\$1,561	\$1,592
21	\$1,020	\$1,040	\$1,061
22	\$612	\$624	\$637

## Review

The National Club Levy System and its Queensland implementation will be reviewed every three years. This review will assess the number of bands and their range as well as the subjective alignment criteria and their application to clubs.

The intent of this review will not be to introduce uncertainty by moving many clubs but will be to ensure that the system stays relevant,

appropriate and equitable for the clubs, Australian Sailing and Yachting Queensland.

## Timing and Transition

The timing of fee notification, appeals and invoicing will annually follow this timeline:

- Fee notification is sent to clubs by 31st March each year
- Clubs have until 31st May to lodge an appeal (2 months)
- Invoices issued to clubs on 1st July
- Fees are payable by 31st August

## Transition Period

There will be a period of adjustment for clubs that have significant changes in fees (both upwards and downwards movements).

Increase/ decrease	Time frame
Between 0% and 10%	Immediate effect (year one)
Between 10% and 20%	Staggered over two years
Greater than 20%	Staggered over three years



## Appeals Processes

There will be a nationally consistent approach to appealing either financial hardship or perceived misallocation to bands. All clubs have the right to appeal for consideration and the process will involve Australian Sailing staff and the Board of Yachting Queensland.

### Appeals for Hardship

Where a club's situation causes it financial hardship whereby the band allocated fee is temporarily unsustainable, the club can apply through the appeals system for a short-term relief from the full fee.

As part of this process the club will need to provide evidence of how the hardship is affecting the club's operations and what actions the clubs have taken to mitigate the hardship. The application will also require the club to nominate a solution for the type of relief being sought.

It is essential that there is a thorough understanding of all clubs' circumstances so that hardship can be assessed properly. It is important that information provided is of a reliable quality.

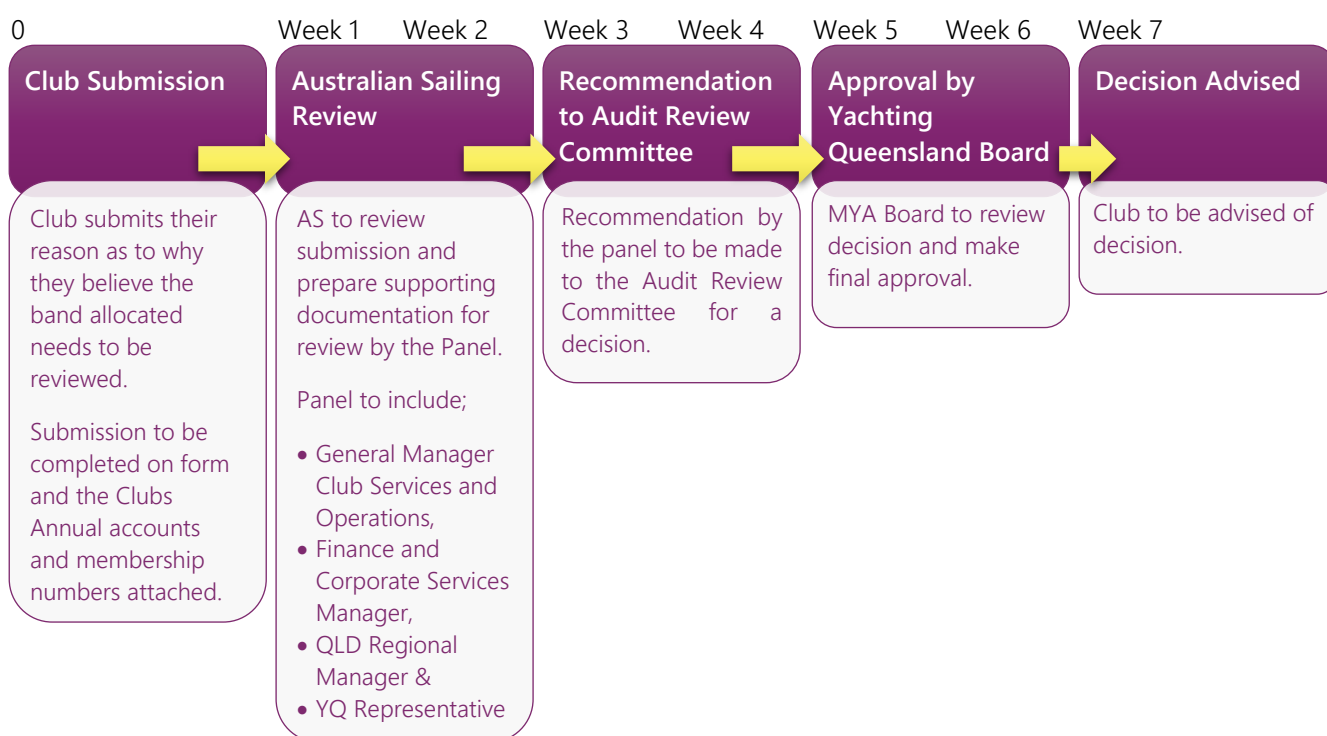


### Appeals for Band Mis-allocation

The process as outlined below is designed to provide a clear and consistent approach for all clubs challenging the allocation of their band. The timelines outlined in the process are intended to keep the process in line with other timeframes within the system.

Clubs that want to make a submission will be required to include the following information:

- Detailed submission explaining why it believes its fee is not equitable
- The clubs proposed solution
- 3 x years of financial statements as provided to members (including all related club entities)
- 3 x years of membership data (including membership categories)





## Appendix A – Definitions

**Implied Fee** – A theoretically calculated figure that is used to rank clubs in Category A using the following formula:

$$\left( \left( \frac{M_C}{M_A} \times 80\% \right) + \left( \frac{T_C - M_C}{T_A - M_A} \times 20\% \right) \right) \times \$2.35m$$

Where:

- $M_C$  is the club's **Membership Income**
- $T_C$  is the club's **Total Revenue**
- $M_A$  is the **Membership Income** of all Category A clubs in Australia.
- $T_A$  is the **Total Revenue** of all Category A clubs in Australia.
- \$2.35m is the total target membership revenue for Category A clubs in Australia.

The *Implied Fee* is not directly linked to the levy a club pays, it is used only for the initial ranking within Category A.

**Membership Income** – annual revenue generated from all fees charged by the club for all membership classes including social memberships.

**Professional Club Management** - shall include both casual and full-time staff employed or contracted to deliver:

- a) Office management and services;
- b) Club management;
- c) Sailing training and events;

and shall not include:

- d) Sailing instructors remunerated on a per training basis;
- e) Book-keepers.

**Total Members** - includes all membership classes; for example, including sailing, social and life members, other than purely social membership classes where social members are not permitted to participate in on-water activities and related supporting activities.

**Total Revenue** - annual revenue of the Affiliated Club including revenue of all related companies (as defined by the Corporations Law), but excluding:

- (a) one off grants provided by Government or through a competitive grant round;
- (b) contributions to foundations and dedicated fundraising that is solely for the purpose of financially supporting specific sailors' activities outside of the Club's competition and location.



## Appendix B - Frequently Asked Questions

### **Why is only revenue included in the banding formula rather than a consideration of overall profit or viability of a club's operations?**

The measure of income has been used as a base level assessment of relative activity of clubs in order to form an initial ranking of clubs. The ability of a club to run their business operations at a profit is not an indicator of activity within the club, the level of Yachting Queensland or Australian Sailing resources that club utilises, or the level of engagement with the broader community in providing sailing related activities.

Yachting Queensland will continue to work with its members clubs to assist them to run profitable operations in their communities, but profitability will not be considered when allocating levy bands. Where clubs are struggling with their viability due to hardship there are processes in place to seek relief in levy fees through the Appeals for Hardship.

### **As a not-for-profit business, our club makes contributions to reinvest in the sport in addition to the support and services provided by Yachting Queensland. How is this additional contribution reflected in the fee levels charged to our club?**

Yachting Queensland recognise the key role many clubs play in the development of sailing outside the gates of their own venues. Where those contributions are demonstrated as being made to the whole of sailing there may be adjustments made on the grounds that the activity level of the club is reduced through the action of the contribution.

Where those contributions are provided solely to members of that club, they are deemed to still be contributing to the activity level of the club and are therefore included in the determination of banding allocation.

### **Will one-off incomes like government grants affect the band a club is allocated?**

Government grant funding for one-off projects will not be included in the calculations used to allocate bands. The intent of the allocation process is to consider the normal operations of a club and it would not be a true representation of activity to include income that is not a regular part of the club's activities.

However, ongoing funding to provide services, such as income from local government programs that are used as income in place of fees that would normally be charged to members will be included in the consideration as this reflects the ongoing level of activity within the club.

### **If a club's revenue from membership or other areas goes up, will the club's fees to Yachting Queensland also go up?**

The number of bands, their breadth and the steps between them have been specifically chosen to limit the likelihood of clubs regularly moving between bands. It is anticipated that normal growth within the market will not cause a club to change bands and therefore the fee allocation will not be affected. Club's should only expect to change bands if their activity levels significantly change to the extent that they are no longer matched with their peers.

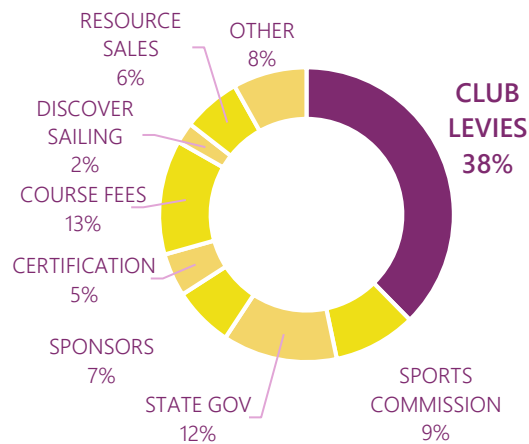
### **Is there a discount available for sailors who sail at multiple clubs?**

The club levy is applied to a club based on the activity of the club. It is not a fee to the sailors and so there is no "discount" applicable for sailors who are members of multiple clubs.

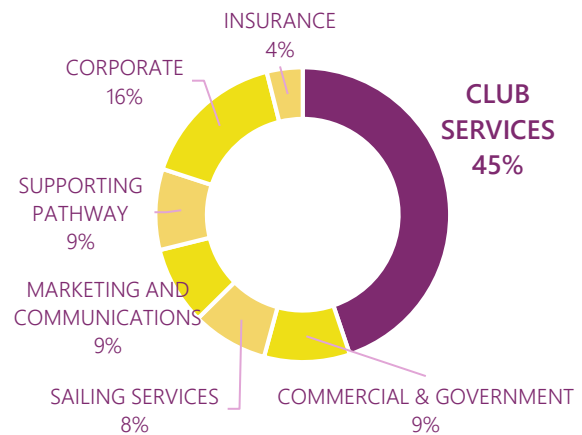
## Are club levies the only income stream being used by Yachting Queensland and Australian Sailing to make these organisations profitable?

Yachting Queensland and Australian Sailing derive income from many sources including club levies, Sport Australia and state government grants, corporate sponsorship, course fees, certification and resource sales. In 2017/18 club levies accounted for 38% of Australian Sailing's total income once the high-performance program is excluded. Significant effort is being made to increase sponsorship and government revenue as a key principal of both Australian Sailing's Strategic Plan 2020 and Yachting Queensland's Strategic Direction 2017-2020.

### Revenue



### Expenses



\*Based on 2017/18 YTD budget reporting in May 2018 and excluding revenue and expenses directly related to the high-performance program.







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