



# ESNZ MEMBERSHIP REVIEW 2017

DISCUSSION DOCUMENT

## 1. INTRODUCTION

This discussion paper provides context to the membership model currently adopted by ESNZ, including commentary on why it was adopted and how it has contributed to the financial circumstances Equestrian Sport NZ finds itself in. It is designed to be used as a communication and consultation document with further discussion with ESNZ disciplines boards and area committees needed. This discussion should focus on the need for a different membership model.

It includes information about the current financial situation the organisation finds itself in and how it proposes to improve its bottom line in the next 12 to 24 months. It is also an opportunity to futureproof the organisation so that we can keep pace with technology and digital advances.

We ask you to read this document carefully. Please send feedback in writing to Dana Kirkpatrick at [dana@nzequestrian.org.nz](mailto:dana@nzequestrian.org.nz) by 30 March 2017. The feedback will then be considered by the board at its April meeting and a recommendation made for the 2017/18 budget year prior to May 31.

## 2. EXECUTIVE SUMMARY

- The financial situation for ESNZ is dire.
- A major contributor to this was the change in membership fees in 2014.
- 3640 members do not currently pay to be members of ESNZ.
- As a sport our membership fees are comparatively cost effective – see appendix one on page 11.
- Going forward the organisation has no option but to review membership fees and all financial processes to ensure financial sustainability.
- This paper proposes reinstatement of membership fees to previous levels.
- ESNZ is open to input and discussion on the issues set out in this paper.
- Consultation closes on 30 March 2017.

## 3. BACKGROUND TO THE 2014 MEMBERSHIP MODEL CHANGES

Growth aspirations for equestrian sports, as recorded in a strategy document (the 2013/14 Growth Plan) developed by ESNZ and its sports, were perceived as facing a number of challenges, including a relatively static membership and complicated membership options.

Within that document, the need for the organisation to reduce its reliance on membership fees was recognised. Sports where participation is individual not team based, were showing a growing preference for a 'pay per play' model, rather than a membership fee model.

At the same time, growth in participation is seen as significant for securing revenue from commercialisation initiatives such as attracting sponsorship and revenue from ESNZ's website and other social media platforms.

The ESNZ Board did not consider that abandoning the membership model and moving to a wholly 'pay per play' model was an appropriate first course of action in execution of the Growth Plan, but instead saw benefits in a mixed model of a lower annual membership cost and the extension of [start levies] to all disciplines.

There was financial modelling and analysis undertaken which attempted to predict the outcomes for ESNZ of these changes, however the response of members to these changes was not able to be predicted with any level of accuracy so there was some risk involved for the organisation.

Nevertheless, the ESNZ Board determined that the membership changes were necessary for the future well-being of the organisation.

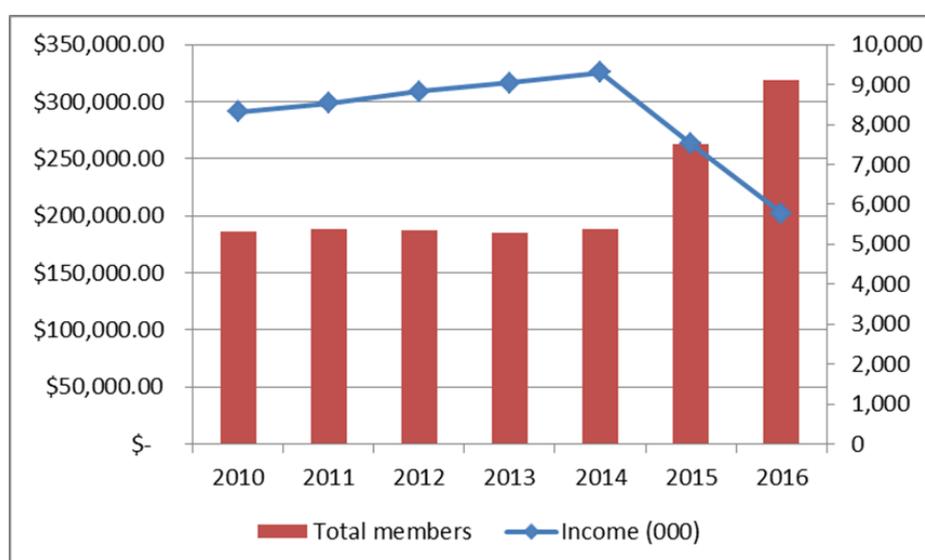
Consequently, in 2014 ESNZ made some significant changes to its membership model with three main aims:

1. To make it easier for people to get into the sport
2. To increase participation and membership numbers
3. To reduce the range of membership options so the membership process was simpler.

The intent of the 2014 review was sound, as more members have been able to enjoy the benefits of ESNZ through either the first year free or the community memberships, and indeed there has been an increased level of participation and membership numbers recorded.

The key element for success of this model was to convert free community members into full paying members which, over time would ensure the financial impact on ESNZ Central was not so great. At the same time, progress was expected to be made on various commercialisation initiatives which would provide a revenue stream that compensated for any temporary reduction in membership fees as first year and community members transitioned to full membership.

However, what has in fact occurred is that, transition of riders from free community members to full paying members has not eventuated and there is a significant group of members who have chosen to remain as community members. The financial impact on ESNZ has been brutal, compounded by several external factors outside of its control, namely a major reduction in Sport NZ funding and reduced grant funding.



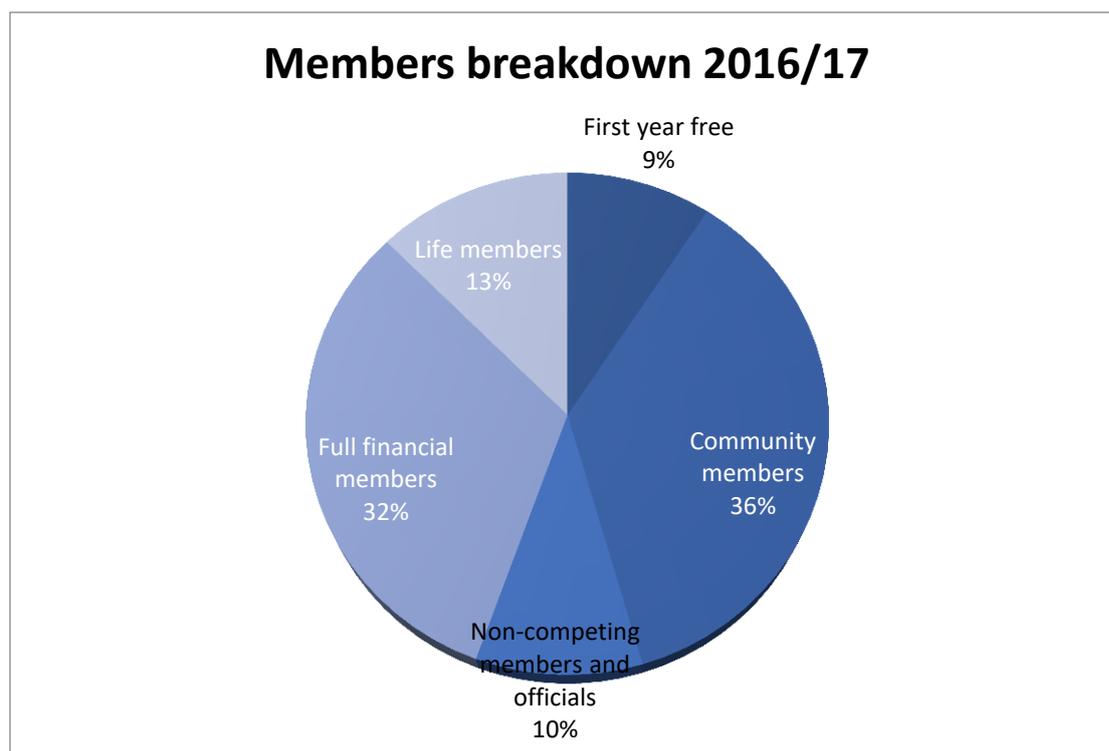
*The above graph shows the corresponding increase in membership numbers and fall in membership income across the years from 2010-2016. The change in membership started in 2014.*

#### 4. CURRENT MEMBERSHIP STATISTICS

Currently there are just under 9000 members. These include:

- 740 - First year free
- 2,900 - Community members
- 800 - Non-competing members and officials
- 2,560 - Full financial members
- 1,000 - Life Members

3640 members are not paying



Analysis shows 45% of members are not paying a membership fee to the organisation but get the same benefits from being members.

This is because community members do not pay an annual membership fee and neither do life members as their contribution was a one off payment. A compounding issue is that community members can be free for three years and then get the benefit of a first year free for full financial membership.

This is not a long term sustainable position for ESNZ. No membership based organisation can be expected to support this level of membership when it is not contributing to the costs of running the sport. It is not fair and equitable to those financial members to be subsidising such a large group of fellow riders/competitors.

#### **WHAT ARE THE BENEFITS OF BEING A MEMBER OF ESNZ?**

- You get to participate in competition.
- Recording of all results for registered horses which provides an independent and verifiable source for this information when purchasing or selling a horse/pony.
- Recording of all results for rider/members which provides an independent and verifiable source for this information when seeking sponsors, team selection and/or work opportunities.
- Insurance cover for all members.
- Health and safety advice and information.
- FEI affiliation and the ability to run FEI classes for international rankings.
- The ability to be selected to represent your country at FEI competitions, Trans-Tasman competitions, WEG, Olympics, Nations Cups etc.

- Ability to compete at all levels of equestrian competition in the disciplines.
- Membership of a central body that provides overarching rules and processes to ensure integrity in equestrian competition in NZ including general regulations, appeal and protest processes.
- Security of an audited organisation which then gives disciplines and area groups access to funding and grants.
- A commitment to clean sport principles and horse welfare principles.
- Central database of competitive equines and riders.
- Management of prefixes and suffixes in New Zealand for breeders.
- Co-ordination of officials and official training for FEI levels.
- Website, database and communication.

### **WHAT DOES IT COST PER MEMBER TO RUN THE ORGANISATION?**

There is now a reasonable level of transparency regarding the costs of running ESNZ, through improved budgeting processes, and increased scrutiny of costs as typically occurs in a financially constrained organisation. Furthermore, the most significant cost by far is staff remuneration which has reduced in recent years as a result of FTE reductions and correct sizing of roles.

There will always be criticism from groups within the membership of so-called 'head office' costs but this is typically delivered without any supporting evidence and also a lack of understanding of the roles and responsibilities of the ESNZ team.

<b>HOW IS YOUR MEMBERSHIP MONEY ALLOCATED?</b>		
<b>Cost centre</b>	<b>Registration related expenses</b>	<b>Per member (\$500)</b>
Board costs	\$ 18,825.00	\$ 3.42
Technical committee	\$ 2,500.00	\$ 0.45
Clean sport	\$ 16,750.00	\$ 3.05
Coaching programme	\$ 4,500.00	\$ 0.82
Para-equestrian	\$ 9,390.00	\$ 1.71
Promotion/Comms	\$ 19,241.00	\$ 3.50
Salaries and contracts. Calculated as a 50:50 split of total salary costs as other income will be covering aspects of salary cost. (7.5FTE)	\$ 294,290.00	\$ 53.51
Rent	\$ 37,500.00	\$ 6.82
Web/database and IT support	\$ 46,000.00	\$ 8.36
Audit	\$ 17,350.00	\$ 3.15
Insurance	\$ 28,000.00	\$ 5.09
Postage/power/phone/stationary/office supplies and photocopier	\$ 83,016.00	\$ 15.09
Travel and accommodation	\$ 52,443.00	\$ 9.54
Affiliation fees	\$ 26,830.00	\$ 4.88
AGA	\$ 6,595.00	\$ 1.20
<b>TOTAL</b>	<b>\$ 663,230.00</b>	<b>\$120.59</b>
<b>Remainder of budgeted expenses</b>		
Salaries	\$ 294,290.00	
Other expenses and costs	\$ 65,100.00	
<b>Total budgeted expenses</b>	<b>\$1,022,620.00</b>	

The above table is GST exclusive.

This table shows that membership fees received under the current model do not cover the costs of running the organisation (see table on page 8), let alone provide funding for special projects necessary for execution of the Growth Plan, such as the database and website projects.

## 5. CURRENT FINANCIAL POSITION

ESNZ Central is forecasting a budgeted shortfall (loss) of \$176,242 for the 2016/17 financial year. This is after shaving more than \$170,000 out of the budget and focussing on all aspects of cost cutting and savings for this year.

The falling membership income, a lack of grant applications and sponsorship revenue, and a large reduction in community sport funding (from over \$200,000pa to \$75,000pa for the next four years) are the major contributing factors to the loss.

### WHAT ELSE IS BEING DONE TO REDUCE THE FINANCIAL SHORTFALL?

- We have already cut \$170,000 from our annual budget to reduce costs wherever possible.
- We have not replaced some staff as they have left (Approximately \$100,000 salary savings).
- Focus is being made to apply for grant funding wherever possible to cover operational costs. We have received the first amount of \$20,000 to cover salaries.
- We have completed a review of the discipline service fees and they will be negotiated with the disciplines in the early part of 2017 to ensure budgeting can be done effectively.
- We are planning on an upgrade to our database to make online registrations possible and to maximise opportunity from advertising and database commercialisation of the website.
- It is our desire to move to a more transparent and adjustable membership so members can see what the organisation costs to run and how they contribute to that.

## 6. MEMBERSHIP 2017 AND BEYOND

When we think about our members in 2017 we should establish key principles for what we want from the organisation for the membership.

- Financial sustainability for ESNZ.
- Transparency of membership costs.
- Up to date technology for registrations and memberships.
- Timely and efficient communication on relevant matters.
- Recognition of those who volunteer and contribute to the sport.
- Proactive customer service.

### WHAT IS THE PROPOSED MEMBERSHIP MODEL FOR 2017/18?

The ESNZ Board has evaluated the options and has proposed a modified version of the current model with a reinstatement to former pricing structures but based on the actual costs of being a member.

- 1. Reinstate previous membership fee levels of \$120 for a full membership.**
- 2. Rename the community membership “introductory membership” and charge introductory members a fee of \$40 per annum.**
- 3. Reduce the first year free allowance to introductory members only.**
- 4. Non-competing members such as officials will remain at the \$60 fee.**
- 5. All these fees are GST inclusive.**

One idea for consideration by the Board and members is a one off contribution payable by all members for strategic projects such as the database and website projects, to be included in the 2017/18 membership fees.

It could contribute up to \$30,000 to the project and would be a great way to show funders that the sport’s members are engaged and contributing to the technological advances required by us at this time. It also demonstrates ESNZ is thinking laterally and innovatively in funding its technology needs, not just relying on Sport NZ and grant funding. Increasingly, there is an expectation from funders that the sports community should contribute to the strategic projects in some way.

Objectives of the database and website projects:

1. Online registrations
2. Up to date easy to use technology
3. Smart phone compatible
4. Future proof our intellectual property and database systems
5. Opportunities for far greater commercial return from the website.

Key assumptions have been made in the financial modelling to arrive at the following scenarios. The major risk is that we cannot accurately calculate the attrition rate or the drop off in membership as members respond to these proposed increased costs through the membership renewal process. We can assume there will be some tension and this will be directly related to the level of increase.

Currently we receive no income from community members. It is considered likely there will be a drop in community member numbers as a result of applying a fee to this level of membership but we

will not lose income from this drop off because some payment from a reduced group is an improvement on no payment from a larger group.

<b>CURRENT MODEL 2016/17</b>			
	Members	Fee	Total
Full members	2560	\$ 70.00	\$ 179,200.00
Community members	2900	\$ -	\$ -
Non competing members	800	\$ 60.00	\$ 48,000.00
Life members	1000	\$ -	\$ -
First year free	740	\$ -	\$ -
<b>TOTAL</b>	<b>8000</b>		<b>\$ 227,200.00</b>

<b>PROPOSED MODEL 2017/18</b>				<b>Assumptions</b>
	Members	Fee	Total	
Full members	2304	\$ 120.00	\$ 276,480.00	10% attrition rate included due to fee increase.
Introductory members	1450	\$ 40.00	\$ 58,000.00	50% of the 2900 may drop off if they are required to pay
Non-competing members	800	\$ 60.00	\$ 48,000.00	No change expected
Life members	1000	\$ -	\$ -	
First year free transition	350	\$ 40.00	\$ 14,000.00	Calculated at 50% drop off/and the rest pay \$40 Any who transition to full members will be extra
<b>TOTAL</b>	<b>5904</b>		<b>\$ 396,480.00</b>	

#### ***Introductory levels for all disciplines***

- Jumping - Introductory classes 80cm and below with no prize money
- Dressage - Training or Non Graded Dressage Days
- Eventing - Practise Days, Express Events & CNC 65 events
- Endurance – 0-39km, Novice CTR
- Para Dressage - Training & Non Graded

#### ***Full membership***

- Jumping and Showhunter - All Classes
- Dressage - Levels 1-9
- Eventing - up to 3\*
- Endurance - 40km and above CTR Junior, Open & Intermediate
- Registered Para Dressage Classes
- All FEI classes across all disciplines

**Table below shows the income trends over the past two seasons, the current season and a projected forecast for the 2017/18 year ahead with the proposed structure in place.**

Below are the income records from the 2016 annual report which shows the variance in funding over the past two years. It also shows the income budget for the year ending 31 May 2017. Income in the organisation, after excluding the Bulletin results, has dropped from \$1.18m in 2014/15 to \$885k in 2016/17, a reduction of \$292k. Of course not all of this is attributable to a decline in revenue from memberships, but does demonstrate the need for new sources of revenue.

Income	Projected 2018	Current year budget	2016 actuals from annual report	2015 actuals from annual report
Horse Registrations	\$ 350,000.00	\$ 350,000.00	\$ 314,972.00	\$ 254,622.00
Membership Registrations (include 10% att	\$ 276,480.00	\$ 230,000.00	\$ 201,956.00	\$ 263,144.00
Non-competing	\$ 48,000.00	\$ 40,000.00	\$ 39,148.00	\$ 34,688.00
Community members 1450 AT \$40	\$ 58,000.00			
Affiliated member groups	\$ 5,000.00			
First year free - half transition to paying \$4	\$ 14,800.00			
	\$ 752,280.00	\$ 620,000.00	\$ 556,076.00	\$ 552,454.00
<b>other income streams</b>			<b>2016</b>	<b>2015</b>
Sport NZ Funding	\$ 75,000.00	\$ -	\$ 212,100.00	\$ 261,300.00
Other grants	\$ 50,000.00	\$ 12,000.00	\$ 1,748.00	\$ 30,905.00
FEI Registraton Income	\$ 25,000.00	\$ 25,148.00	\$ 25,200.00	\$ 30,353.00
Clean Sport	\$ 20,000.00	\$ 22,240.00	\$ 19,496.00	\$ 19,651.00
Interest income	\$ 12,000.00	\$ 16,000.00	\$ 10,513.00	\$ 27,242.00
Sponsorship	\$ 50,000.00	\$ 25,000.00	\$ 25,486.00	\$ 21,486.00
Bequests	\$ 5,000.00	\$ 5,000.00		\$ 5,107.00
Other operating income	\$ 10,000.00	\$ 10,000.00	\$ 15,741.00	\$ 8,923.00
Web advertising	\$ 50,000.00	\$ -	\$ -	\$ -
Product Sales	\$ 40,000.00	\$ 40,000.00	\$ 68,452.00	\$ 89,031.00
Discipline service fees	\$ 80,000.00	\$ 70,990.00	\$ 64,569.00	\$ 131,046.00
	\$ 417,000.00	\$ 226,378.00	\$ 443,305.00	\$ 625,044.00
<b>TOTAL</b>	<b>\$ 1,169,280.00</b>	<b>\$ 846,378.00</b>	<b>\$ 999,381.00</b>	<b>\$ 1,177,498.00</b>

## CONSULTATION OPPORTUNITY

1. Has this paper provided a full picture of the serious situation of ESNZ finances?
2. Do you think an increase over and above the reinstatement of \$120 would be acceptable?
3. Are there issues or points that require more input or clarification?
4. Would members be prepared to allocate \$10 of their fees to a one off levy for technology development such as the new website and online database.
5. Are there any other points you would like to make as a result of this discussion paper.

## WE WANT TO HEAR BACK FROM YOU?

The consultation process will run from 28 February 2017 to 30 March 2017.

All feedback will be considered, analysed and a recommendation made to the ESNZ board at its meeting on 6 April 2017.

A decision will be communicated to all members and stakeholders by May 31. Any changes to the fee structure will come in from 1 June 2017.

Please send all feedback to [dana@nzequestrian.org.nz](mailto:dana@nzequestrian.org.nz) by 30 March 2017.

For further information email [emma@nzequestrian.org.nz](mailto:emma@nzequestrian.org.nz) or call her on 04 499 8994.

Thank you so much for your time and for the effort in responding. This is a chance for you to have some input into your sport and the future sustainability of ESNZ.

**APPENDIX 1: COMPARATIVE FEES FOR OTHER EQUESTRIAN AND INDIVIDUAL SPORTS**

<i>What are the membership fees for some other sports?</i>	<i>Type of membership</i>	<i>Home currency</i>	<i>NZD</i>
<b>Equestrian Australia</b>			
NSW membership	Intro	\$ 169.00	\$ 177.00
	Senior	\$ 240.00	\$ 251.75
Queensland	Intro	\$ 160.00	\$ 167.00
	Senior	\$ 330.00	\$ 346.22
<b>USEF</b>	Riders	\$ 55.00	\$ 78.00
	Officials	\$ -	
	Non competing	\$ 25.00	\$ 39.00
<b>Polo</b>			
Poverty Bay	all competitors		\$ 285.00
Auckland			\$ 2,000.00
<b>NZ Racing</b>			
Jockey license	full		\$ 155.00
	apprentice		\$ 65.00
<b>Hunting</b>			
Brackenfield Hunt	Senior		\$ 375.00
	Intermediate		\$ 160.00
Egmont/Wanganui	Senior		\$ 360.00
	Intermediate		\$ 130.00
Waitemata Hunt	Adult		\$ 500.00
	Junior		\$ 150.00
<b>Cycling NZ</b>			
	NZ		\$ 60.00
	International		\$ 200.00
<b>Swimming</b>			
	Competitor		\$ 85.00
<b>Wellington Rowing Club</b>			
	Novice comp		\$650
	Full comp		\$650

**APPENDIX 2: CONSTITUTION RULES AROUND MEMBERSHIP FEES**

## Article 12: Membership Fees

12.1 The ESNZ Board shall annually determine:

- a. Any membership or other fees payable by Members;
- b. Any other fees payable including without limitation horse registration fees;
- c. Any event organising or other fees payable by an event organising committee for events and activities held by or under the jurisdiction of ESNZ;
- d. The due date for such fees; and
- e. The manner for payment of all ESNZ and Discipline fees.

12.2 The Discipline Boards shall in accordance with their Discipline By-law annually determine:

- a. Annual Start Fees;
- b. Entry Levy;
- c. Any other fee that may be required to fund the development and deliver the sport of that Discipline provided such fee is approved by the Board.

12.3 Area Discipline Committees may annually determine fees for those Members that reside in their

Area. The applicable Discipline Board may investigate and if it considers appropriate request an Area Discipline Committee to alter the nature and/or amount of any such fees provided always that the Board has the ultimate authority to determine fees payable by Members.