

VicSport Update

Community Sporting Clubs – A Case for Amalgamation

In today's climate of declining volunteerism, increasing administrative and compliance workloads, and rising facility maintenance costs and decreasing funding pools, small clubs are finding it increasingly difficult to survive. Already many clubs, particularly those in rural and regional areas, have been forced to fold and this trend looks set to continue unless some essential structural changes are made.

Evidence provided by Cricket Victoria and the Victorian Country Football League highlights the struggle sport and recreation clubs face to simply survive, particularly in population and economically declining rural areas. In the five-year period from 2000 to 2005, Cricket Victoria reported an overall net loss of 128 cricket clubs in Victoria. It was estimated in participant terms this equated to a loss of around 3500 members.

Similarly, between 1990 and 2003, the Victorian Country Football League reported 36 Australian Rules football clubs and 6 leagues had disbanded as financial and other pressures made survival increasingly difficult. The result of these closures was a significant reduction in the number of participation opportunities being offered across rural Victoria.

While the traditional single club structure most commonly seen across Australia offers organisations the greatest degree of autonomy in managing their own affairs, there is no doubt the social and economic changes of recent decades has made it increasingly difficult for small single sport clubs to survive as they struggle to attract members, fundraise, manage finances, maintain facilities and meet increased community and industry expectations.

The demise of small single sport clubs across Victoria is not due to any one factor. Rather it is due to a combination of factors working together to make it more difficult for clubs across the board to provide a service palatable to the changing needs of today's society in a financially viable way.

The key to the future for our community clubs lies in promoting structures that encourage better utilisation of limited financial, facility and volunteer resources, while at the same time sharing an ever increasing administrative workload. The development of amalgamated Community Clubs are a key to our sport and recreation future and those at the policy making level along with those at the coal-face must work together to promote these joint ventures to ensure the ongoing viability of the sport and recreation sector.

VicSport, with the support of VicHealth, has undertaken this research to investigate the viability of amalgamated community focused club structures, and if appropriate to promote such structures as highly beneficial models for consideration in the future.

There are a many reasons why sport and recreation clubs may seek to merge or amalgamate; decreasing participation rates, declining volunteer support, rising administrative costs, increasingly complex compliance requirements, or in some cases a directive from a governing or funding body.

No matter what the driver for change may be however, investigative results are showing amalgamation brings with it a range of tangible benefits for both the sporting clubs themselves, and the broader communities in which they operate.

For clubs, amalgamation creates significant economies of scale as overhead costs are reduced through the rationalisation of time consuming administrative and governance tasks. This generates financial savings as well as decreasing the amount of work spent on administrative tasks - an outcome greatly appreciated by the many volunteers who give up their own time to support their local clubs.

For the community, benefits are also realised as groups who choose to join forces move away from their traditional narrow internal single sport focus to a more beneficial community vision. The result of this change in attitude is a greater range of participation opportunities being made available for all. Such a process plays a key role in promoting not only better physical and mental health benefits for members of the community, but also in developing invaluable social infrastructure.

Unfortunately, while the benefits of amalgamation cannot be doubted, the reality is without the threat of imminent demise through financial difficulty or an external directive, mergers would in all likelihood not take place. Traditionally club structure has developed around the "one club, one sport" model, and clubs not surprisingly are reluctant to relinquish total control of their affairs to share facilities and funding with others.

Compounding the problem of decreased funding support options are the added financial pressures of continuously increasing basic operational support costs such as insurance premiums, facility hire fees, and in rural areas, water fees. While clubs have tried to accommodate these increasing financial burdens, the reality for many is the gap between income and expenses is quickly becoming an unbreachable chasm.

The real life example of a small South West Victorian Australian Rules Football club raising money to purchase a sprinkler system to make it easier for volunteers to water their ovals; only to find once they had installed the sprinkler system they did not have the funds to pay for their water fees, simply highlights the difficulties some clubs face.

Declining volunteer support also continues to create problems for club survival. Research shows the sport and recreation sector is highly reliant on volunteers for survival. A recent

study by Sport and Recreation Victoria estimated around 75% of sport and recreation support in Victoria is provided by volunteers.

As demands on limited time resources increase, the amount of time individuals can commit on a volunteer basis is decreasing, leaving organisations in the unenviable position of asking fewer volunteers to take on greater support roles. This is of particular concern in light of increasingly complex compliance requirements making club administration more demanding than ever. For many volunteers, the time they have to dedicate to simply meeting these requirements rather than working on promoting their sporting activities makes the prospect of volunteering a much less attractive prospect than it was in the past.

Time restrictions are also having a negative impact on participation rates as a competing array of interests vie for precious leisure time. Industry trends are suggesting there is a current shift away from a preference to make a commitment to participating in rigid structured activities toward more flexible convenience-based options. As a result of this trend, sport and recreation groups persisting with a traditional rigid attitude find their membership numbers are decreasing as people choose to participate in less structured activities better suited to their busy and highly variable lifestyles.

Decreasing participation rates in structured sport, declining volunteer numbers, increased administrative costs and compliance requirements, and shrinking funding pools are all factors working together to make it more difficult for small community based grass roots sport and recreation clubs to survive.

Despite all the negatives however, evidence is showing there is a viable future for those grass roots sport and recreation clubs willing to move away from the traditional narrow single structure focus of the past, and think smarter for the future.

For some time now forward thinking members of the sport and recreation industry have been searching for ways ensure the future provision of sport and recreation services, particularly at the community level. One of the key factors underpinning any of the options discussed to date is the need for groups to come together to better utilise available knowledge and resources.

The traditional single club structure so commonly seen in Australia in the past, while they do allow the greatest freedom for individual sports to control their own affairs, unnecessarily tie up time and resources on basic administration and operational requirements which could easily be shared across groups.

By coming together and consolidating administration, management and compliance requirements, individual sport, recreation and other community groups can reduce their administration and overhead costs, leading to significant financial savings. The human resource savings made as a result of reduced administration workloads relieves pressures on limited volunteer resources and frees up more time to be spent on the promotion of actual activities rather than paperwork.

Combining resources to develop and maintain larger multi-purpose facilities, shared club rooms and administration areas also provides more benefits for a greater range of participants than does spending large amounts of money on the upkeep of several smaller single purpose facilities.

One of the most important benefits of joint initiatives, which must not be underestimated, is the benefit to the community itself. Bringing groups together under one umbrella shifts the focus away from the narrow internal vision of the single sport to encompass a broader community perspective. As a result, a greater number of activities can be offered, giving individuals more opportunities to engage in physical activity and to come together and interact. The physical, mental and social health benefits to the individual as they become involved in a vital community structure are invaluable.

Given the benefits to not only the individual organisation involved, but also to the community, the concept of amalgamation to form community-focused clubs is one that has great merit for the future. Amalgamated community clubs can ease the growing pressure on single sport clubs, ensure sustainability of sport and recreation as essential community support services into the future, and provide a focal point for future community development.

While there are undeniable benefits of amalgamation, the option of surrendering total control of operations to share resources is still not the chosen option for most organisations. Loyalties to the “old club”, resistance to change, and an unhealthy focus on the present often overshadows long-term survival.

Power and money continually arise as the greatest barriers to amalgamation. Disparity in the level of control parties perceive they should have, and actual differences in financial assets or liabilities held between parties considering merging complicates the amalgamation process.

Successful mergers, such as the Allies Football Club and Kaniva Community

Evidence collected as part of this research project clearly indicates the benefits of amalgamation to clubs and the community will almost certainly outlast the difficulties experienced in the process of merging. Given there are significant benefits, it therefore follows that the concept of bringing groups together to better share resources and cut down on costs is one we should be promoting more widely as the option of choice for the future.

It could be considered somewhat surprising then, given the numerous positive benefits mergers can provide to both the organisations involved and the broader community, to find most amalgamations that have taken place to date have been driven by necessity, rather than choice.

To date the key drivers for change identified by research have been financial viability or a governance directive. For all four case study groups, the process of amalgamation began because of financial difficulties. Due to increasing administration costs, falls in membership

numbers leading to less revenue, and decreasing government grant and sponsorship funds available, clubs found they were struggling to generate the income required to run their clubs and activities, and to maintain facilities. For these clubs, amalgamation was driven purely by a need to rationalise costs, or risk a complete demise.

Although it is quite clear in these situations amalgamation was due to a variety of external factors forcing a change rather than any profound future insight on the part of the groups involved, what has emerged as a result of amalgamation for whatever reasons is a long list of benefits. As Pam Tye, President of Hockey Australia conceded, even though the process of amalgamation was long and difficult and would probably never have taken place without a directive from the international body, there have been many benefits including an increased membership and volunteer base, increased financial capacity and greater strength when dealing with the media and other groups.

As the evidence presented in this report clearly shows, no matter what the driver for change may be, and no matter how difficult the process is, amalgamation does bring positive benefits to merging groups. The key to amalgamation success is a positive and open-minded attitude, and choosing the amalgamation structure that best suits the needs of all your stakeholders.

The amalgamation structures we most commonly see cover a broad spectrum ranging from a simple operational agreement to a complete community club amalgamation into a new entity. The choice of where to sit along this spectrum is largely determined by the level of autonomy and control over their affairs groups wish to maintain, and their financial capacity to do so.

Those organisations who are the most reluctant to relinquish control of their finances and operations, or who are very much separate entities, but who can see the value in working together at some level often choose to develop a Memorandum Of Understanding (MoU) arrangement to work together at an identified level.

The MoU developed between the Laharum Sports Incorporation and the Cameron Oval Recreation Reserve Committee offers an example of such a model. Under these arrangements, the newly formed Laharum Sport Incorporation found they were meeting regularly with the Recreation Reserve Committee to discuss issues around facility use and ground maintenance. While both groups were quite separate entities, they realised they were working closely together for the common purpose of providing better facilities for all. As many of the same people were representatives on both committees, the groups decided to form a cooperative made up of sports club and reserve committee members to discuss facilities issues.

In this case, the merger between these two groups is not a legally binding alliance, but is rather based on a simple MoU. To date this group has been highly successful in decreasing administration workloads, better managing funds, and in the larger scale scenario, in improving existing and developing new facilities.

In a step further along the spectrum toward a complete amalgamation, other groups have entered into a “quasi-amalgamated” structure where a new entity is formed to take on a number of specific governance and administration tasks, however each member of the umbrella organisation maintains its own individual incorporated identity.

The formation of the Laharum Sports Incorporation and Soccer South Australia are examples of groups coming together to form a new entity to work on bigger picture projects, such as sponsorship, marketing, database registration and events and fixtures, with each individual member group maintaining control of their own affairs as sub-structures of the larger group.

This quasi-amalgamated structure works well for groups like Soccer SA, whose members traditionally have an inherent sense of competitiveness and distrust, or the Laharum group who, representing a range of different sports found it easier to maintain control at the operational level. For both the models discussed thus far, the effectiveness of the working relationship will be largely determined by the strength of the common purpose.

Each of the models outlined above has advantages and disadvantages. The key to promoting amalgamation is the realisation merging is not as simple as one size fits approach. The unique circumstances of each club and the community it serves will determine the type of combined or umbrella entity is most appropriate.

The anecdotal evidence presented as part of this research clearly proves successful amalgamation is possible and highlights the important role amalgamation and the development of community clubs must play in the future. While amalgamation and sharing of resources is currently rarely seen as the option of choice, the reality facing those clubs who refuse to work together to provide high quality more flexible opportunities is driving home the need to make this option a priority for the future.

Of course the process of amalgamation is not easy, and no single amalgamation model suits all circumstances. There are many issues such as organisational culture, resource allocation, and representation in decision-making and leadership roles to be worked through to mutually acceptable resolutions. While a sharing of resources makes sense on paper, when the issue of actually relinquishing total control for the bigger picture is placed in front of many organisations, the immediate response is one of fear and distrust rather than positive acceptance.

Without doubt the future for grass roots sport and recreation clubs, particularly those in smaller rural and regional areas where financial, facility and volunteer support is stretched to the absolute limit is a sharing of resources.

Currently, amalgamation is rarely looked upon as the preferred option for change in the first instance. In fact, without some governing directive or major financial hardship, it is speculated amalgamation would not have been considered as an option in the past. An increasing number of successful amalgamations are however proving to the sport and recreation sector amalgamation does work to the benefit of all, and as such should be

seen as a priority for moving forward rather than a last ditch attempt to avoid complete collapse.

In an ideal world, each and every sporting or recreation club in each and every town in Victoria would have its own purpose built facility to conduct activities every day. In our current climate, where funding and facilities are scarce, such a situation can be nothing more than a dream however. The reality for the near future at least, is a better utilisation of the resources we have, and a community approach to developing new facilities for the future.

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