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Levelling the Playing Field

How much funding could clubs and athletes raise if amateur sport was designated as a charitable purpose?

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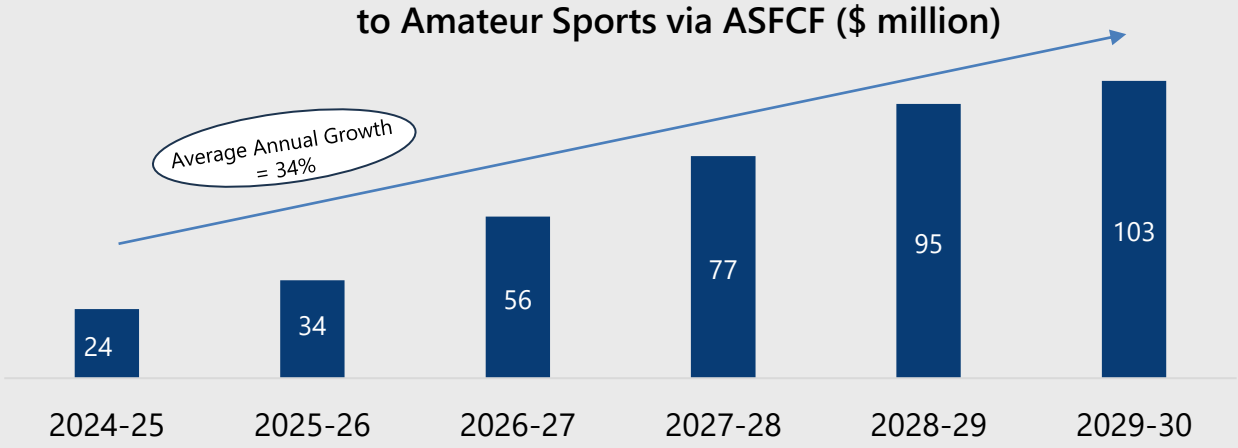
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01. Executive Summary

In this report, we estimate the financial, health, and budgetary impacts of designating Australian amateur sports clubs and athletes as having a charitable purpose. This would allow eligible sports & athletes to access significantly more funding from Public and Private Ancillary Funds (Ancillary Funds) through the Australian Sports Foundation Charitable Fund (ASFCF). We **estimate that amateur sports – if they were considered a charitable purpose – could collectively raise nearly $24 million in distributions from Ancillary Funds in 2024-25, growing to $103 million in 2029-30.**

Chart 1: Projected Ancillary Fund Distributions to Amateur Sports via ASFCF ($ million)



Distributions to Amateur Sports

- **Arts & Culture charities receive around 7.1% of Ancillary Funds distributions.**
- **To be conservative, we assume that amateur sports will raise only 4.5% of Ancillary Fund distributions via the ASFCF and take four full years to ramp up to this level, not reaching 4.5% of Ancillary Fund distributions until 2028-29.**
- The data suggests that there are currently around 37,000 amateur sports clubs[1] and 43,000 amateur athletes[2] in Australia. We assume the adoption of an eligibility model similar to that currently used in the United Kingdom, resulting in some 32,000 eligible sports clubs and 39,500 eligible athletes.
- We limit our definition of amateur athletes to either 'elite' or 'aspiring elite' athletes.

1. *Community Sports Clubs Market Analysis (2023), Kinlab*
2. *National data tables, AusPlay – July 2022 to June 2023, Clearinghouse for Sport*

Health Care Savings

- **We estimate that the increased funding available to amateur sports as a charitable purpose will enable those sports to attract over 190,000 new participants cumulatively between 2024-25 and 2027-28**
- We relied upon data from the Australian Institute of Health and Welfare (AIHW) to project that improved physical and mental health outcomes from playing sports could help reduce the average annual expenditure on healthcare for these new participants by some 40%[3].
- Over the four years from 2024-25 to 2027-28, this would save average annual expenditure of around $1,870 per new amateur sports participant.
- This would mean a **total saving of nearly $370 million in healthcare expenditure for the Federal Budget between 2024-25 and 2027-28**.

Ancillary Funds

Ancillary Funds connect people who are willing to donate with organisations that can receive tax-deductible distributions as Deductible Gift Recipients (DGRs) and which are also charities, such as the ASFCF. There are two types of Ancillary Funds: Private Ancillary Funds (PAF) and Public Ancillary Funds (PuAF). These funds are regulated by the Australian Charities and Not-for-profits Commission (ACNC) and are set up to provide money, property, or benefits to qualified organisations.[4]

Amateur sport cannot currently be the beneficiary of distributions from Ancillary Funds via the ASFCF, because Ancillary Funds are only able to support purposes that are designated as charitable.

3. Australian Institute of Health and Welfare. (2023). Economics of sport and physical activity participation and injury.
4. Private And Public Ancillary Funds, Australian Charities and Not-for-profits Commission

02. Introduction

Scope and Objective

Pragmatic Policy Group (PPG) was commissioned by the Australian Sports Foundation (ASF) to independently estimate the value of distributions that the ASFCF could access from Private and Public Ancillary Funds for onward distribution to amateur sports clubs and athletes if amateur sport were designated a charitable purpose.

We further extend this analysis to project the total savings in healthcare expenditures that would be available to the Australian Government due to better physical and mental health outcomes in the community, because of higher participation in sports.

Pragmatic Policy Group

Pragmatic Policy Group is an independent economic research agency, which models the impact on the economy of legislative and regulatory proposals.

PPG is particularly focused on the consequences of government policies for the most vulnerable members of the community.

We use advanced analytical techniques and industry experience to forecast the impact of policy changes, share evidence-based insights, and help drive informed strategic decisions.

About the Author

Oliver Browne is Lead Economist at PPG. He previously served as Chief Policy Adviser to the Australian Federal Treasurer. During his tenure in that role, he designed national economic policy and helped deliver four Federal Budgets.

Oliver has also worked for nearly a decade in economics, finance and law at BlackRock in New York, J.P. Morgan in Sydney and at global law firm Ashurst.

The cost of undertaking this research was covered by ASF. The conclusions that PPG presents are entirely our own, based on our independent analysis of the data.

Methodology

- In this report, we determine how many amateur sports clubs and athletes would be eligible for charitable funding and, if they were, how much funding they could expect to raise from Ancillary Funds via ASFCF.

- We then estimate the likely savings to the Federal Budget from lower healthcare expenditure, driven better health outcomes from improved participation in amateur sports.



New Funding

Ancillary Funds could distribute to ASFCF for onward distribution to amateur sports clubs and athletes



Eligibility

Rules would govern which amateur sports clubs and athletes qualify



Better Health

Higher sports participation leads to better physical and mental health for new participants in amateur sport



Budget Savings

Lower healthcare expenditure per person saves money for the Federal Budget and for taxpayers

- **Eligibility Criteria for Sports Clubs and Athletes:**
  - We based our eligibility criteria on the model currently adopted in the UK.
  - We assume eligibility will be limited to sports clubs that only pay up to $50,000 annually to their players (in aggregate) and to athletes earning up to $50,000 in income.

- **We Benchmark Sports' Fundraising Capacity against Arts and Culture:**
  - Arts and cultural activities are already designated as a charitable purpose, and so arts and cultural organisations and individual artists are eligible to receive charitable funding sourced from Ancillary Funds.
  - The sector thus offers a reasonable benchmark for the amounts that amateur sports could raise from Ancillary Funds, if amateur sports were also designated as a charitable purpose.

Data Sources

We have relied on broad range of data sources to conduct our own economic modelling:

01 **Clearinghouse for Sport**[5] offers public data on sports participation and expenditure.

02 **Australian Charities and Not-for-profits Commission (ACNC)**[6] provides insights into charity distributions, including those made by Ancillary Funds.

03 **Australian Taxation Office (ATO)**[7] supplies information on the value of distributions made by Ancillary Funds to sports, and arts and cultural organisations.

04 **Australian Government Federal Budget**[8] provides historical data on healthcare expenditure that we use to model savings from the physical and mental health benefits of higher sports participation.

05 **Australian Institute of Health and Welfare (AIHW)**[9] provides information on the expected reduction in health costs for active amateur sports participants.

06 **AusPlay**[10] provides information on the number of amateur athletes.

5. https://www.clearinghouseforsport.gov.au/
6. https://www.acnc.gov.au/tools/reports
7. https://www.ato.gov.au/about-ato/research-and-statistics/in-detail/taxation-statistics/taxation-statistics-2020-21/statistics/charity-statistics?anchor=Charities
8. https://budget.gov.au/
9. https://www.aihw.gov.au/
10. https://www.clearinghouseforsport.gov.au/research/ausplay/results

03. New funding available for amateur sports

Sports Fundraising Projections

- We assume that total donations received by all charitable organisations in Australia will grow in line with the Australian Government's objective to double charitable giving by 2030.[11]

- Based on historical data,[12] we estimate that by 2024-25, total charity received through donations and bequests could reach around $17 billion, with some $2.8 billion of that amount raised by Ancillary Funds.

- Total charity receipts are projected to reach nearly $27 billion by 2029-30, with Ancillary Funds expected to raise over $4.4 billion by then.

E: Estimated P: Projected

All values in $ million unless otherwise stated

Table 1: Projected Distribution of Donations

Particulars	2023-24E	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Total charity received from donations and bequests	15,888	17,326	18,894	20,604	22,469	24,502	26,720
Total donations received by Ancillary Funds	2,645	2,884	3,145	3,430	3,740	4,079	4,448
Total distributions made by Ancillary Funds	1,367	1,491	1,626	1,773	1,933	2,108	2,299
Distributions to Sports via ASFCF							
Ancillary Fund distributions to amateur sports	11	24	34	57	77	95	103
Share of Ancillary Fund distributions going to amateur sports	0.8%	1.6%	2.1%	3.2%	4.0%	4.5%	4.5%
Distributions to Arts & Culture							
Ancillary Fund distributions to arts & culture	97	105	115	125	137	149	162
Share of Ancillary Fund distributions going to arts & culture	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%

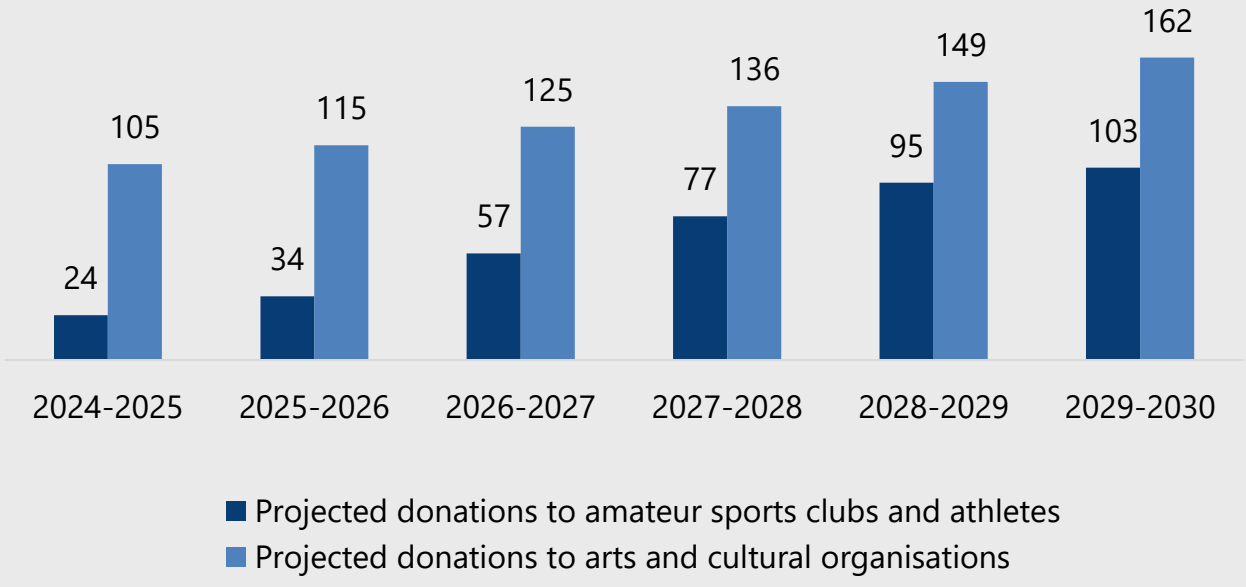
Note: Sports received $7.7 million from PAFs in 2022-23

11. Australian Charities and Not-for-profits Commission. (2023). Australian Charities Report 9th edition. Australian Government.

12. Australian Charities and Not-for-profits Commission. Australian Charities Report.

- Our modelling suggests that amateur sports could receive around $24 million from Ancillary Funds in 2024-25 via ASFCF, rising to $103 million in 2029-30.
  - We assume that giving to amateur sports via ASFCF will reach a maximum of 4.5% of Ancillary Fund distributions after four years.
  - **We are conservatively assuming amateur sports would receive only around two-thirds of the distributions that arts and culture receives from Ancillary Funds.**
- Arts and cultural recipients raise an average of around 7.1% of annual distributions from Ancillary Funds.[13]

Chart 2: Ancillary Fund distributions to Sports (via ASFCF) and Arts/Culture ($ million)



13. Charities Statistics (2023), ATO

Eligible Sports Clubs and Athletes

Australia is home to around 37,000 amateur sports clubs[14] and 43,000[15] elite and aspiring elite athletes.

In defining an 'amateur' sports club for the purposes of this proposal, there is clearly a scale between amateur (those who do not pay their players) and professional (those with players whose job is being a professional sportsperson).

But at the grassroots level, there are many community clubs who participate higher up the ladder and where players may be paid a small amount for their sport but hold down outside jobs to live and pay the bills.

To get the balance right in determining eligibility, we have adopted the approach used in the UK[16] [17], where 'Community Amateur Sports Clubs' are defined as those that collectively pay their players below a certain de minimis level.

In Australia, this level could reasonably be $50,000 per annum paid by a club to all players, in aggregate. Using this assumption, we estimate that of the 37,000 affiliated sports clubs, some 32,364 clubs would be defined as 'amateur'.

Given the need to support Australia's elite and aspiring elite athletes, and the fact that most athletes earn below reasonable levels, we have proposed that those who earn $50,000 or less per annum in income would be eligible for charitable funding.

We estimate that of the 43,000 elite and aspiring elite athletes, some 39,500 would qualify for charitable funding.

We estimate that Ancillary Fund distributions will be available via ASFCF for:



32,364 sports clubs



39,500 Athletes

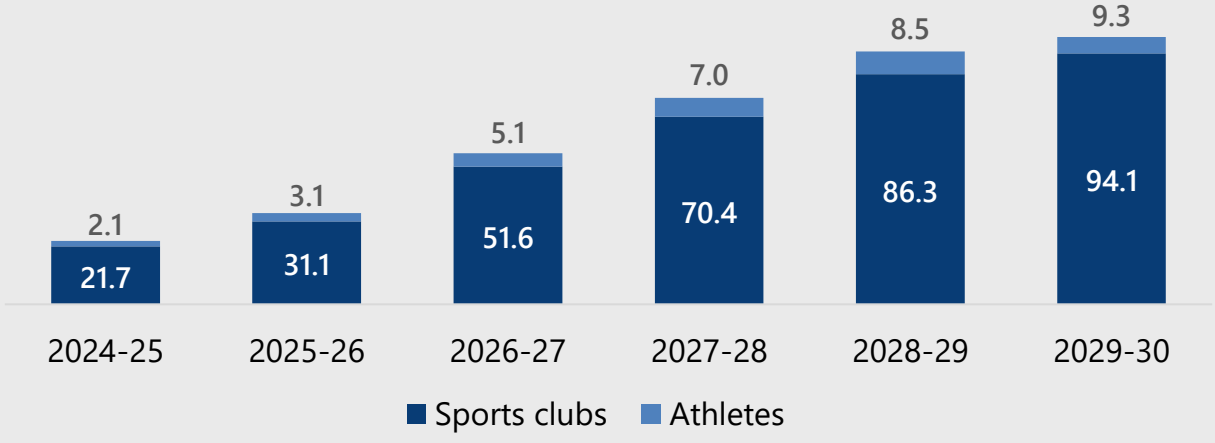
14. Community Sports Clubs Market Analysis (2023), Kinlab
15. National data tables , AusPlay– July 2022 to June 2023, Clearinghouse for sport
16. UK sports funding for individuals, organisations and teams (2023), House of Commons Library
17. About-Us, Sport England

Table 2: Eligible Sports Clubs And Athletes	
	UK Model
Sports Clubs	
Total number of sports clubs in Australia	37,364
Sports clubs paying over $50,000 annually to players	5,000
Athletes	
Total number of athletes in Australia	43,000
Athletes earning annual income over $50,000	3,500
Eligible Sports Clubs and Athletes	
Total number of eligible sports clubs	32,364
Total number of eligible athletes	39,500

We assume that 91% of Ancillary Fund distributions available through ASFCF will go to support amateur sports clubs, with the remaining 9% going to support amateur athletes[18].

In 2024-25, we estimate that ASFCF would distribute $21.7 million onwards from Ancillary Funds to support amateur sports clubs and $2.1 million to amateur athletes. By 2029-30, sports clubs would receive $94.1 million, and athletes would receive $9.3 million.

Chart 3: Ancillary Fund distributions to ASFCF to support amateur sports clubs and athletes ($ million)



18. Assumption: Administrative costs are assumed to be 10% of total Ancillary Fund distributions to sports, which we deduct before we apportion funding between amateur sports clubs and amateur athletes.

Savings for the Federal Government Budget

- We assume no change in total value of tax receipts by the ATO. Sports will simply now comprise a share of the existing pool of tax deductions claimed for charitable purposes.

- However, there will be cost savings for the Federal Budget. Data from the Australian Institute of Health and Welfare (AIHW) suggests that engaging in physical activity can reduce average annual healthcare costs by 40%[19] per sports participant.

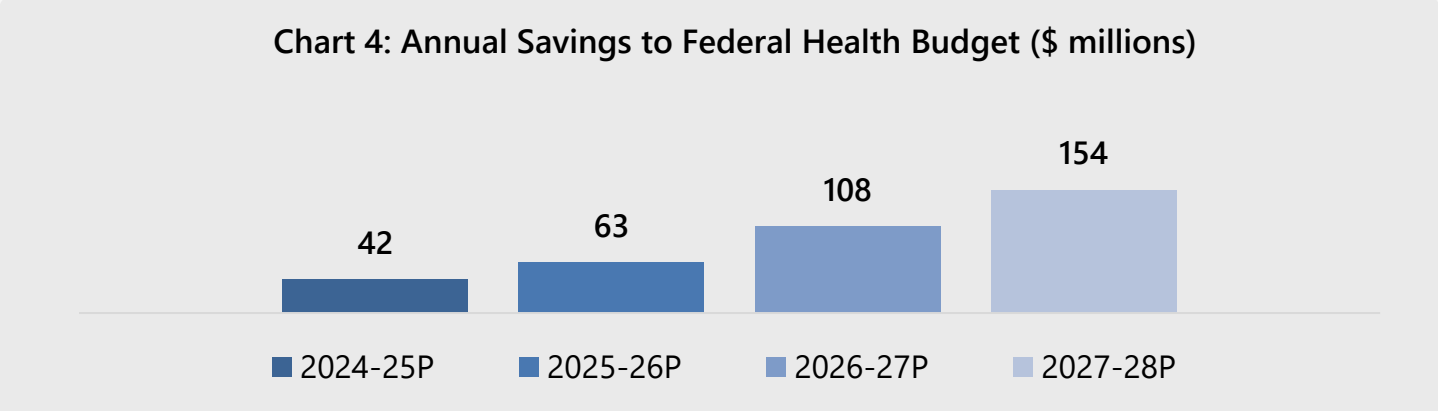
- This would generate healthcare cost savings for the Federal Budget of around $1,760 per new sports participant in 2024-25, equal to nearly $42 million, rising to $225 million by 2029-30.

All values in $ million unless otherwise stated

Table 3: Healthcare Budget Savings						
	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Funding available for boosting sports participation (after admin. expenses)	22	31	51	70	85	93
New sports participants (by number)	23,849	34,135	56,724	77,322	94,861	103,446
Total reduction in health expenditures for Federal Budget	**42**	**63**	**108**	**154**	**198**	**225**

P: Projected

We expect increased sports participation to contribute cumulative savings of approximately $370 million to the Federal Budget over the four years from 2024-25 to 2027-28.



P: Projected

19. Economics of sport and physical activity participation and injury (2023), Australian Institute of Health and Welfare

04. Technical Appendix

Detailed Methodology and Modelling Results (1/5)

Ancillary Fund Distributions Available via ASFCF for Amateur Sports and Athletes

- In Table 4, we assume that total charity received by charitable organisations in Australia (donations and bequests)[20] will grow in line with the Australian Government's objective to double charitable giving by 2030 – which implies a Compound Annual Growth Rate (CAGR) equal to 9.1%.
  - Total donations to Ancillary Funds are projected to grow as a constant share of total Australian charity received (around 8.5% share based on average of past six years).
  - Total charity distributions are forecast to grow as a constant share of total charity received (around 70% share based on average of past six years).
  - Ancillary Fund distributions are projected to grow as a constant share of total charity distributions (around 6% share based on average of past six years).
- The Arts/Culture sector – which can already raise distributions from Ancillary Funds due to its designation as having a charitable purpose – received an average of 7.1%[21] of total Ancillary Fund distributions between 2016 to 2022. We conservatively assume that amateur sports would only be able to raise around two-thirds of the share raised by the Arts/Culture sector.
  - We therefore assume amateur sports raise a maximum of 4.5% of Ancillary Fund distributions (via the ASFCF), compared to 7.1% for Arts/Culture.
  - We further expect it will take a full four years for ASFCF, working with amateur sports clubs and athletes to build capacity to reach this level of distributions; therefore, we model a four-year ramp-up period.

20. Australian Charities Report – 8th and 9th edition (2022 and 2023), ACNC
21. Charities Statistics (2023), ATO

Detailed Methodology and Modelling Results (2/5)

All values in $ million unless otherwise stated

Table 4: Projected Ancillary Fund Distributions to ASFCF to support Amateur Sports and Athletes									
	2021-22B	2022-23E	2023-24P	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Total charity received from donations and bequests	13,360	14,569	15,888	17,326	18,894	20,604	22,469	24,502	26,720
Charity distribution of donations	9,700	10,169	11,089	12,093	13,187	14,381	15,682	17,102	18,650
Private Ancillary Fund (PAF) donations received	1,259	1,191	1,299	1,416	1,544	1,684	1,836	2,003	2,184
Public Ancillary Fund (PuAF) donations received	1,213	1,234	1,346	1,468	1,601	1,746	1,904	2,076	2,264
Total donations to Ancillary Funds	**2,472**	**2,425**	**2,645**	**2,884**	**3,145**	**3,430**	**3,740**	**4,079**	**4,448**
PAFs total distributions made	539	638	696	759	828	903	985	1,074	1,171
To: Arts & Culture	78	71	77	84	92	100	109	119	130
PuAF total distributions made	660	615	671	732	798	870	949	1,034	1,128
To: Arts & Culture	21	18	19	21	23	25	27	30	32
Ancillary Fund distributions	**1,199**	**1,253**	**1,367**	**1,491**	**1,626**	**1,773**	**1,933**	**2,108**	**2,299**
Distributions to Sports Club & Athletes									
Ancillary Fund distributions to sports via ASFCF	**3.9**	**7.7**	**10.9**	**23.8**	**34.1**	**56.7**	**77.3**	**94.9**	**103.4**
Projected share of Ancillary Fund distributions (%)	0.3%	0.6%	0.8%	1.6%	2.1%	3.2%	4.0%	4.5%	4.5%
Distributions to Arts & Culture									
Ancillary Fund distributions to arts & culture	99.1	88.5	96.5	105.3	114.8	125.2	136.5	148.9	162.3
Share of Ancillary fund distributions received by arts & cultural (%)	8.3%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%

*Base value: **B**, Estimated value: **E**, Projected value: **P***

Detailed Methodology and Modelling Results (3/5)

Eligible Sports Clubs and Athletes

- Currently, there are 37,364 sports clubs[22] and 43,000 athletes[23]

- 32,364 clubs and 39,500 athletes would be eligible for designation as 'amateur' under our assumed equivalent to the UK Model, which we estimate would exclude:

  - 5,000 sports clubs that we estimate pay more than $50,000 annually to their players (in aggregate)

  - 3,500 athletes with annual income over $50,000.

All values in $ million unless otherwise stated

Table 5: Eligible Sports Clubs and Athletes	
	UK Model
Sports Clubs	
Total number of sports clubs in Australia	37,364
Clubs exceeding payment threshold (>$50,000 annual payments to players, in aggregate)	5,000
Athletes	
Total number of athletes in Australia	43,000
Athletes exceeding income threshold (>$50,000 annual income)	3,500
Total number of eligible sports clubs	32,364
Total number of eligible athletes	39,500
Total eligible sports clubs + athletes	71,864
% share of distributions for sports clubs	91%
% share of distributions for athletes	9%
Total distributions for sports (2024-25) ($ million)	23.8
Total distributions for sports clubs ($ million)	21.7
Total distributions for athletes ($ million)	2.1

Key Assumptions:

- Around 91% of funds available after administrative costs are directed toward sports clubs and the remaining 9% is directed to athletes
- Around 5,000 clubs would be above the annual pay threshold and therefore would not qualify under the UK model, equal to between 10-15% of total sports clubs
- Among Australians aged 15-34 participating in sports 3 times per week, the top 1% aspire to representative levels, resulting in a potential elite athlete pool of 43,000 reduced by 3,500 individuals earning $50,000 or more annually in income

22. Community Sports Clubs Market Analysis (2023), Kinlab
23. National data tables , AusPlay– July 2022 to June 2023, Clearinghouse for sport

Detailed Methodology and Modelling Results (4/5)

Healthcare Budget Savings

- We sourced annual health expenditures from the Australian Federal Budget historical papers.
  - We then assumed that these total amounts are allocated equally across the entire Australian population to solve for the average annual cost of healthcare per person.
  - We estimate that around 90% of Ancillary Funds distributions available to sports clubs and athletes can be purposed towards boosting sports participation, after 10% is applied to administrative expenses.
- Assuming $900 in outreach spend per new participant acquired[24], this would enable amateur sports to reach around 24,000 new participants in 2024-25 alone, or around 192,000 new participants over the four years from 2024-25 to 2027-28.
- Based on data from the Australian Institute of Health and Welfare (AIHW), active participation in sports can lead to a 40%[25] reduction in average disease-related health expenditure per new participant
  - This results in nearly $370 million in savings for the Federal Budget over the four years from 2024-25 to 2027-28.
  - We calculate these savings by multiplying the number of new sports participants by an average healthcare cost saving of around $1,870 per person over these four years.

24. Ausplay Participation Expenditure, Clearing House-Australia Sports Commission (2023)
25. Economics of sport and physical activity participation and injury (2023), AIHW

Detailed Methodology and Modelling Results (5/5)

All values in $ million unless otherwise stated

Table 6: Healthcare Budget Savings									
	2021-22B	2022-23E	2023-24P	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Projected distributions to amateur sports from Ancillary Funds via ASFCF	4	8	11	24	34	57	77	95	103
Projected national health expenditure	106,185	107,710	113,903	120,452	127,377	134,701	142,446	150,636	159,297
Population (millions of people)	26.0	26.5	27.0	27.4	27.8	28.2	28.6	28.9	29.3
Average health expenditure per person (in dollars)	4,082	4,059	4,223	4,397	4,581	4,776	4,984	5,204	5,438
% of Ancillary Fund distributions available to boost sports participation					90.0%				
Total distributions available to boost sports participation	3.5	6.9	9.8	21.5	30.7	51.1	69.6	85.4	93.1
Average spend on each new participant (in $)	900	900	900	900	900	900	900	900	900
Number of new sports participants reached (nos.)	3,900	7,700	10,935	23,849	34,135	56,724	77,322	94,861	103,446
% Reduction in health costs per person for active sports participants					40.0%				
Health costs per active sports participants (in A$)	2,449	2,435	2,534	2,638	2,749	2,866	2,990	3,122	3,263
Savings to healthcare expenditures per new participant (in A$)	1,633	1,624	1,689	1,759	1,832	1,911	1,994	2,082	2,175
Total savings on Federal Budget healthcare expenditures	6	13	19	42	63	108	154	198	225

Base value: B, Estimated value: E, Projected value: P

Specific Assumptions:

- We assume 90% of distributions are available for programs to boost sports participation; historical trends indicate an average spending range of $800 to $1000 per participant in paid sports activities
- Recent estimates by the AIHW suggest that historical sports participation has led to ~40% reduction in disease-related expenditures, calculated as follows:
  - In 2018-19, $2.4 Billion was spent on managing diseases resulting from physical inactivity, while physical activity was estimated to have prevented an additional $1.7 billion in disease-related spending
  - By adding $1.7 billion in avoided health spending to the paid cost of $2.4 Billion, the total imputed cost of healthcare that would have been required in the absence of physical activity amounts to $4.1 Billion.
  - $1.7 Billion in cost savings against $4.1 Billion total imputed spend means a ~40% reduction in disease-related health spending

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Oliver Browne
Lead Economist

pragmaticpolicygroup.com
oliver@pragmaticpolicygroup.com
+1 646 265 3758