

SUBMISSION TO INDEPENDENT SPORT PANEL

AUSTRALIAN SPORTS FOUNDATION LIMITED (ASF)

Situation analysis

The Australian Sports Foundation Ltd (ASF) was established by the Hawke government in 1986 to attract new money for sport development. The charter of the ASF is to *support the development of sport in Australia* and it does this through its *Sport Incentive Program*.

The ASF is unique in that it is the only organisation that is able to nationally support the development of sport in all recognised disciplines from grassroots to elite, by attracting monetary contributions from individual and business donors and issuing a tax deductible receipt.

This unique deductible gift recipient (DGR) status of the ASF enables it to support the sport development work of community, government, schools and sporting organisations at all levels and in all states and territories without duplicating the work of other agencies.

The ASF distributed \$13.4m in discretionary grants to approved and registered sport and community projects in 2007/08. Since 1986, in excess of \$139m has been distributed, with the source of funds for these grants being philanthropic donations to the ASF in support of sport related projects.

On 24 April 2001, the government directed that the ASF receive administrative support from the ASC. However the ASC has since been unable to increase its real level of support to the ASF and in simple terms, the ASF has outgrown the capacity of the ASC to fully meet its aspirations and business activities.

There is no doubting the proven long term benefits to Australian sport of the unique capability of the ASF to financially support development of the Australian sport system. The ASF operates in synergy with the Government paper '*Australian Sport: emerging challenges, new directions*'. Potential exists for greater benefits. However, a sustainable indexed source of funding the operations of the ASF must be found to optimise the benefits to Australian sport and community organisations.

Synopsis and core recommendations

1. Since 2001, the ASF has received funding and administrative support from the Australian Sports Commission (ASC). However the ASC does not have the capacity to fully meet the aspirations and business activities of the ASF. Other than partially meeting the increased staffing costs related to annual ASC Certified Agreement increases, the ASC has been unable to increase its level of funding support to the ASF in real terms. This is limiting the capacity for growth. A reliable and sustained funding base is required to provide the ASF with resources to consistently operate effectively and reach growth targets.

RECOMMENDATION: That the ASF receive a direct line appropriation of \$2m per financial year, indexed, to enable it to operate most effectively and to generate further opportunities to financially support the development of the Australian sports system at all levels.

2. Some references to the ASF in the Australian Sports Commission Act 1989 lack clarity. It is recommended that the Australian Sports Commission Act 1989 be amended to remove any ambiguity. It is noted that amendments were proposed in 2006/07 in conjunction with the Uhrig Review. In particular, section 7(1)(m) appears inconsistent with the intent contained in section 10(3) and the ASF memorandum and articles of association. Sections 10(2) and 10(4) appear redundant.

RECOMMENDATION: That the references to and purposes of the ASF, as contained in the Australian Sports Commission Act 1989 be reviewed to create a greater clarity of purpose for the ASF and its work external to, but complementary to the ASC.

3. The Memorandum and Articles of Association of the ASF confirm that the Federal Minister for Sport has the responsibility for appointing directors. Currently three appointments have been made from those who also hold directorships on the Board of the ASC and there are two vacancies. It would be advantageous to the work of the ASF to have a 'mix' of directorships, including representatives from those appointed to the ASC and from areas external to it.

RECOMMENDATION: That the remaining two positions on the ASF Board be filled with directors with relevant skills and experience. These appointments need not come from within the ASC Board.

Fundamental points relating to synopsis

Background

1. The ASF was established by the Hawke government in 1986 to enable sporting and community organisations at all levels and in all states and territories to attract new money to support the development of sport. The

ASF company was incorporated on 18 February 1986 with the charter to *support the development of sport in Australia*. The Australian Taxation Office accepted this charter in awarding the ASF deductible gift recipient status from that date.

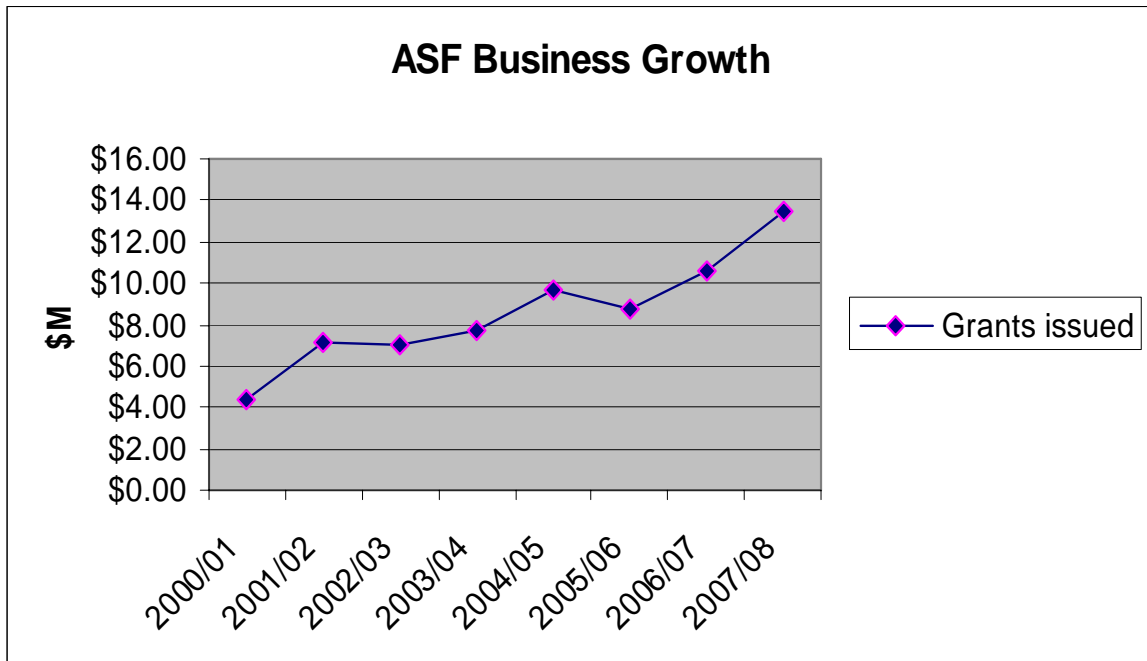
2. The legislative and government outcomes expected of the ASF and ASC create a relationship of complementary purpose within the sports industry.

Uniqueness

3. The ASF is unique in that it is the only organisation that is able to nationally support the development of sport in all recognised disciplines and at all levels by receiving monetary contributions from donors and issuing a tax deductible receipt. This unique status of the ASF enables it to support the sport development work of community, government, schools and sporting organisations at all levels and in all states and territories without duplicating the work of other agencies.

Who benefits?

4. The ASF distributed \$13.4m in discretionary grants to approved and registered sport and community projects in 2007/08. The source of funds for these grants was philanthropic donations to the ASF in support of sport related projects. In all, the ASF received \$16.8m in donations in 2007/08 and this will be reflected in further increased levels of grants in 2008/09.



5. The business growth of the ASF since 2001/02 measured by discretionary grants distributed is shown in the graph above. A more detailed analysis of business growth against all key performance indicators is at appendix 1.
6. The ASF has a focus on supporting grass roots sport. In particular:
 - 55% of approved and registered projects are from sports clubs or regional sports associations
 - 18% of all approved and registered projects are in regional/rural locations (population norm is 12% in regional/rural locations)
 - 32.9% of approved and registered projects are in the sport development category, with the majority of these being for junior development including targeted opportunities to encourage participation by girls and young women in a variety of sports.
 - 70% of donors to the ASF are individuals with a large proportion of these being 'mum and dad' donors
 - 36% of enquiries to the ASF are from regional/rural locations

Funding the operations of the ASF

7. The operations of the ASF have been funded in the following ways
 - 1986 to 1998 – located at the ASC and initially funded by the ASC
 - 1998 to 2001 – located in Sydney with some funding provided annually by the ASC, as directed by the Minister in his review outcome, and the balance provided by the ASF from a levy of 5% charged on donations received.
 - On 24 April 2001, the government directed that the levy cease and the ASF be returned to the ACT and receive the administrative support of the ASC.
 - 1 August 2001 to current – located at the AIS Campus with funding and administrative support provided by the ASC. Due to competing resource needs, the ASC has not been able to increase its allocation to the ASF. Consequently the ASF contributes to its own operating costs from non-donation income.
 - In simple terms, the ASF has outgrown the capacity of the ASC to fully meet its aspirations and business activities.
 - As the business of the ASF will continue to grow, a sustainable indexed source of funding for its operations must be found to optimise the benefits to Australian sport and community organisations.
8. Within the not for profit sector, other government strategies exist for funding the operations of organisations with a special purpose deductible gift recipient status. For example, the Foundation for Rural and Regional Renewal (FRRR) received an initial corpus in the order of \$10m from the government which it invests in trust and operates off the interest received. It is understood that the Australian Business Arts Foundation operates with the direct provision of government funding.

The future

9. As indicated in the company growth statistics attached as appendix 1, significant opportunities exist to increase the support for sport development from individual and business philanthropists utilising the incentive of tax deductible donations to the ASF.
10. The main beneficiaries of the ASF have been city based clubs and sporting organisations in line with the demography of Australia. The ASF has the potential to expand operations across Australia to enable growth of support to provincial, regional and rural Australia. This cannot be done effectively without an increase in resources with a consequent increase in budget allocation.
11. It is felt that indexed direct line appropriation to the ASF of \$2m per financial year would enable it to purchase resources and services from the ASC while strategically remaining co-located with the ASC on the AIS campus. This would also free up budget resources within the ASC that are currently directed to the ASF for use on other ASC priorities.
12. The ASF operates in synergy with the Government paper '*Australian Sport: emerging challenges, new directions*'. A broad budget outline to resource the ASF to sustain effective business growth is shown below:

Item	Description	Cost
Staff resources purchased from the ASC	Funding for 6 existing staff and 3 new positions as identified in WSM Review, February 2007.	\$750,000
Casual staff	Increased funding to meet demands at peak processing times	\$100,000
Resources and services purchased from the ASC	Includes accommodation, IT, HR, Commercial and Facilities services (currently provided free of charge)	\$250,000
Contingency expenditure	Existing contingency items including audit, depreciation, consumables, printing, travel and professional development	\$150,000
Systems development	New allocation to fund development of a replacement for 4Sport data base and investigation into electronic donation capability and electronic document storage	\$350,000
Business development	New allocation for development of a regional television and media campaign	\$250,000
Balance	Capability for contingencies, future growth and increased capacity for funding Category 2 applicants	\$150,000

13. There is no doubting the proven long term benefits to Australian sport of the unique capability of the ASF to financially support development of the Australian sport system. Potential exists for greater benefits to sport.

Appendix 1 - Supporting information

Background and legal status

The Australian Sports Foundation Ltd (ASF) was established by the Government to support the development of sport in Australia.

- The Australian Sports Commission Act 1985 and 1989 (as amended) called for the establishment of a company to support the development of sport
- The Australian Sports Foundation Ltd (ASF) was incorporated as a company limited by guarantee on 18 February 1986 (initially being called the Australian Sports Aid Foundation)
- The Memorandum and Articles of Association of the ASF stipulate that the Minister for Sport appoints the Board of the ASF
- The ASF was listed as a deductible gift recipient (DGR) in the Income Tax Assessment Act 1997 (as amended) with effect from 18 February 1986
- Sport is not a charitable purpose under taxation law and as reiterated by the 2005 Senate review of the Definition of Charitable Status
- DGR status enables donations to the ASF of \$2 or more in support of the development of sport in Australia to be tax deductible
- The ASF is unique in that it is the only organisation that is able to nationally support the development of sport in all recognised disciplines and at all levels by receiving monetary contributions from donors and issuing a tax deductible receipt

The ASF had five initial subscribers to the Memorandum and Articles of Association and the Articles state that the company must at all times have 5 or more members. Corporations Law states that the company must have a minimum of 3 directors. Currently the Board has 3 directors and two vacancies

- Greg Hartung – Chair, appointed to 9 August 2009
- Alisa Camplin – appointed to 22 March 2009
- Sally Carbon – appointed to 6 May 2010

The ASF produces annual financial statements which are audited by the Australian National Audit Office via its contractors. Following acceptance at the ASF Annual General Meeting, these are lodged with ASIC as required by Corporations Law.

A government review in 1997 (following an independent consultant's review of the role of the ASF in that year) resulted in the ASF changing its focus to move away from the ASC (both physically and in a fundraising sense) and its Memorandum and Articles of Association were amended to the current version to reflect this.

Two additional strategic reviews of the ASF have been conducted in recent years.

- ACIL Tasman reviewed the nature of the work of the ASF in 2004/05 and determined that it was achieving the purpose of its establishment as required by government and flagged resourcing issues in the face of business growth.
- Wilson Strategic Management reviewed the nature of the work of the ASF in 2006/07 including the structure and resources necessary to undertake that work. It identified a shortfall in resources necessary to undertake the work.

Funding the operations of the ASF

The operations of the ASF have been funded in the following ways

- 1986 to 1998 – located at the ASC and initially funded by the ASC
- 1998 to 2001 – located in Sydney with some funding provided annually by the ASC, as directed by the Minister in his review outcome, and the balance provided by the ASF from levies charged on donations received
- The intent was that the ASF be fully self-funded by 2001 and that the ASC support cease after 2000/01. However the Sydney experiment did not live up to expectations and the ASF appealed to the government for additional support. On 24 April 2001, the government directed that the ASF be returned to the ACT and receive the administrative support of the ASC.
- 1 August 2001 to current – located at the AIS with funding and administrative support provided by the ASC. Due to competing resource needs, the ASC has not been able to increase its allocation to the ASF in real terms since 2001 (initially \$500,000 was set aside from 1 July 2001 but the current budget contribution is \$450,000 for 2008/09) and the ASF contributes to its operating expenditure from non-donation income. A planned ASF contribution of \$180,000 to its operating costs is forecast for 2008/09.

Scope of work

The ASF considers applications from eligible organisations that are seeking to undertake a sport related project. Projects can be approved and registered in the following categories:

- Feasibility study for a facility development
- Facility development
- Sports equipment
- Sport development
- Team travel
- Hosting a major event

Feasibility study projects are capped at \$50,000. Other than that, there is no upper limit on the project size or scope. As a general rule, projects with a fundraising target of less than \$1,000 are not encouraged (depending on the nature and associated demography of the organisation) due to the economies of scale involved in project establishment/management and available funding alternatives.

The following is an indication of the proportion of projects registered, by category:

- Feasibility study for a facility development 1.5%
- Facility development 34.6%
- Sports equipment 26.4%
- Sport development 32.9%
- Team travel 3.3%
- Hosting a major event 1.3%

The following is an indication of the proportion of projects registered, by state:

- Victoria 37.4%
- New South Wales 24.5%
- Queensland 11.9%
- South Australia 11.6%
- Western Australia 9.2%
- Australian Capital Territory 3.4%
- Tasmania 1.7%
- Northern Territory 0.3%

The number of projects approved and registered changes daily however at 30 June 2008, 518 projects were registered. This includes 99 new projects registered in 2007/08 and the removal of expired or completed projects.

The ASF operates in a climate of conservative governance. All grants given to projects must be accounted for by the project organisation in accordance with the agreed (contracted) project purpose. This process is initiated by the ASF twice a year and all funds have been accounted for each time this process has been undertaken. The most recent distribution of Grant Expenditure Reports occurred in May 2008.

Business outcomes

The ASF is positioned to assist all sectors of the Australian sports system provided the intending registrant is incorporated and not for profit, a properly constituted trust or a government entity and has a sporting objective in mind. This includes:

- Sports clubs, regional and state associations, state sporting organisations and national sports organisations
- National and state institutes and state and regional academies
- Peak bodies
- Local government
- University sporting organisations
- Public and private schools

However as the ASF works with the sporting purpose of organisations, it also uniquely provides a service to community organisations including:

- Foundations and trusts including trusts set up specifically in recognition of or memory of someone
- Community and religious entities
- Community foundations and prescribed private funds established under taxation law

These latter groups are not part of the mainstream Australian sporting system but provide opportunities for development of sport within their jurisdictions.

Sporting organisations represent approximately 70% of project registrants.

The ASF Board is a strong advocate for business growth, as this represents more support for the development of Australian sport and reflects the view of governments. In a recent article (Courier Mail, 6 June 2008) Minister Ellis was referred to as saying 'she has no plans to reform the program (ASF) saying "she supports measures to get more money flowing into sporting facilities" '. The mandate of the government appears clear and supportive of the work being done by the ASF.

Since 1986, the ASF has issued in excess of \$139m in discretionary grants to projects that have been approved and registered by the ASF. \$72m of this has been granted since 2001/02. This is new money that has been generated with the incentive of tax deductibility for donations and introduced to the Australian Sports system to support specific quantifiable projects.

Grants made to approved and registered projects by the ASF generally compliment other funding sources and enable new initiatives to take place. The grants are also a product of the fundraising efforts of the project organisations and represent a genuine attempt to become more self determinant and not so reliant on seeking government funding to achieve sport development outcomes.

The process of undertaking a project with the ASF within a climate of sound governance encourages project organisations to develop sound business practices and controls around their financial and corporate management with the support of the ASF. In volunteer-based organisations, this is a developmental tool that clearly compliments other ASC and state DSR club development initiatives.

Since 1 August 2001, the following growth has occurred:

- Approved and registered projects have grown from 187 (30/6/01) to 518 (30/6/08) – a growth of 278%
- Donations received per annum have grown from \$3.43m (2000/01) to \$16.82m (2007/08) – a growth of 492%
- Discretionary grants issued per annum have grown from \$4.35m (2000/01) to \$13.43m (2007/08) – a growth of 308%
- The number of projects receiving grants per annum has grown from 130 (2000/01) to 245 (2007/08) – a growth of 188%

- The number of discretionary grants issued per annum has grown from 377 (2002/03) to 517 (2007/08) – a growth of 137%
- Enquiries to the ASF per annum have grown from 327 (2000/01) to 1755 (2007/08) – a growth of 536%
- The return on total investment (donations received /cost of operation) has increased from 5.14:1 (2000/01) to 32.38 (2007/08)
- The return on investment by the government via the ASC contribution to ASF operating costs is 37.78:1 (2007/08)

The last Giving Australia Report, coordinated by the Australian Council of Social Services and initiated by the former Department of Family and Community Services through the Prime Minister's Community Business Partnership was released in 2005. Significantly, the report showed that in period 2000 to 2004, the total of individual and business donations to sporting and recreational groups fell when compared to giving in all recipient fields of the not for profit sector. Giving in Australia increased in total across all recipient fields in this period.

The results and sustained business growth achieved by the ASF are particularly meritorious when compared to the reported declining giving trends in the sport and recreation field of the not for profit sector in this period.

7 staff were employed by the ASF in 2000/01 plus casuals. 6 staff are employed in the ASF in 2007/08 (5.7 FTE) plus casuals. Of these, the ASF pays for 1.3 FTE plus casuals from its budget contribution. The ASC pays for the balance as part of its administrative support. However the staffing number is not adequate to manage further business growth and associated governance and project management. As it is now, there is considerable difficulty in ensuring staff take their annual entitlements for leave.

Furthermore, the planned ASF contribution to its operating costs since returning to the ACT and receiving the support of the ASC, has grown from \$20,000 (2002/03) to \$180,000 (2008/09).

Continued ASF business growth is inevitable and good for sport and communities in Australia. Business growth is supported by the Board and government. However, unlike administrative or policy functions of government departments or agencies, the ASF is a trading business. The work of the ASF can not be slowed, stopped or broken down as it is service driven, promoted widely in all sport and relevant community sectors and based on legal contracts between parties. It is an ongoing enterprise involving thousands of stakeholders. The provision of resources to manage this growth is a critical matter, including the physical allocation of space and technology to support business practices. A secondary matter is whether ASF income should be used to fund its operating costs. Both matters appear to be for government to consider.

Business efficiency

Since 2001, a conscious effort was made to re-focus the work of the ASF back to the provision of a service to sport and communities. With the core business redefined, guidelines, applications, collateral and processes were simplified to make the ASF more approachable by sport and community groups and easier to work with.

A discrete ASF data base to support the business was constructed and launched in 2002 to replace a number of systems previously in use. 4Sport remains the ASF database and is need of revision.

The ASF website was re-written and operating practices within the ASF amended to ensure a better and more effective service to clients, including follow up procedures.

A client satisfaction survey conducted in September 2007 validated the positive impact of these improvements.

All of these aspects have enhanced the efficiency of the ASF. While business growth has been significant (as evidenced earlier in this document) business efficiency has increased:

- The cost of each \$1 donation received has gone down from 19c (2000/01) to 3c (2007/08) – a reduction by 630%
- The cost of each \$1 grant issued has gone down from 15c (2000/01) to 3c (2007/08) – a reduction by 440%
- The cost of managing each project has gone down from \$3,567 (2000/01) to \$1,019 (2007/08) – a reduction by 350%

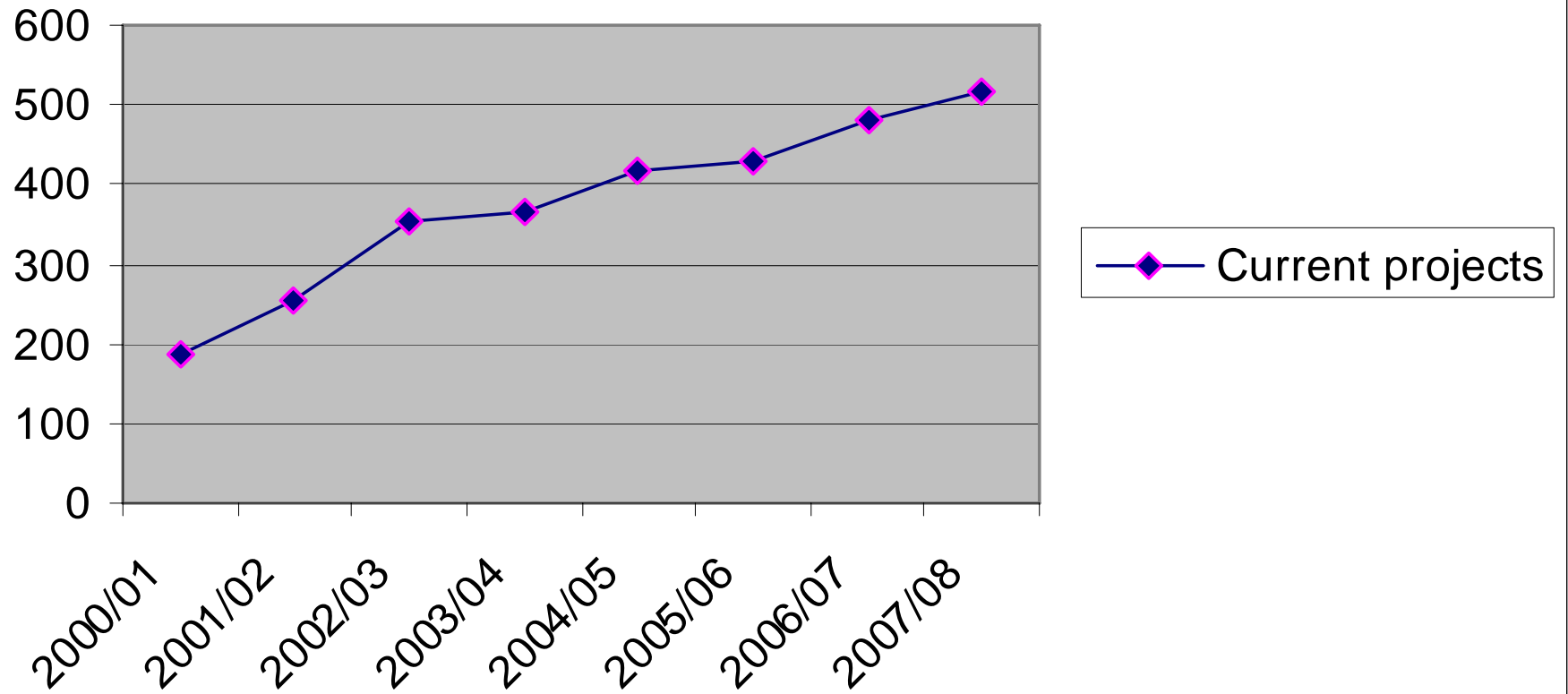
Appendix 2 - Attachments

Graphs representing ASF business growth:

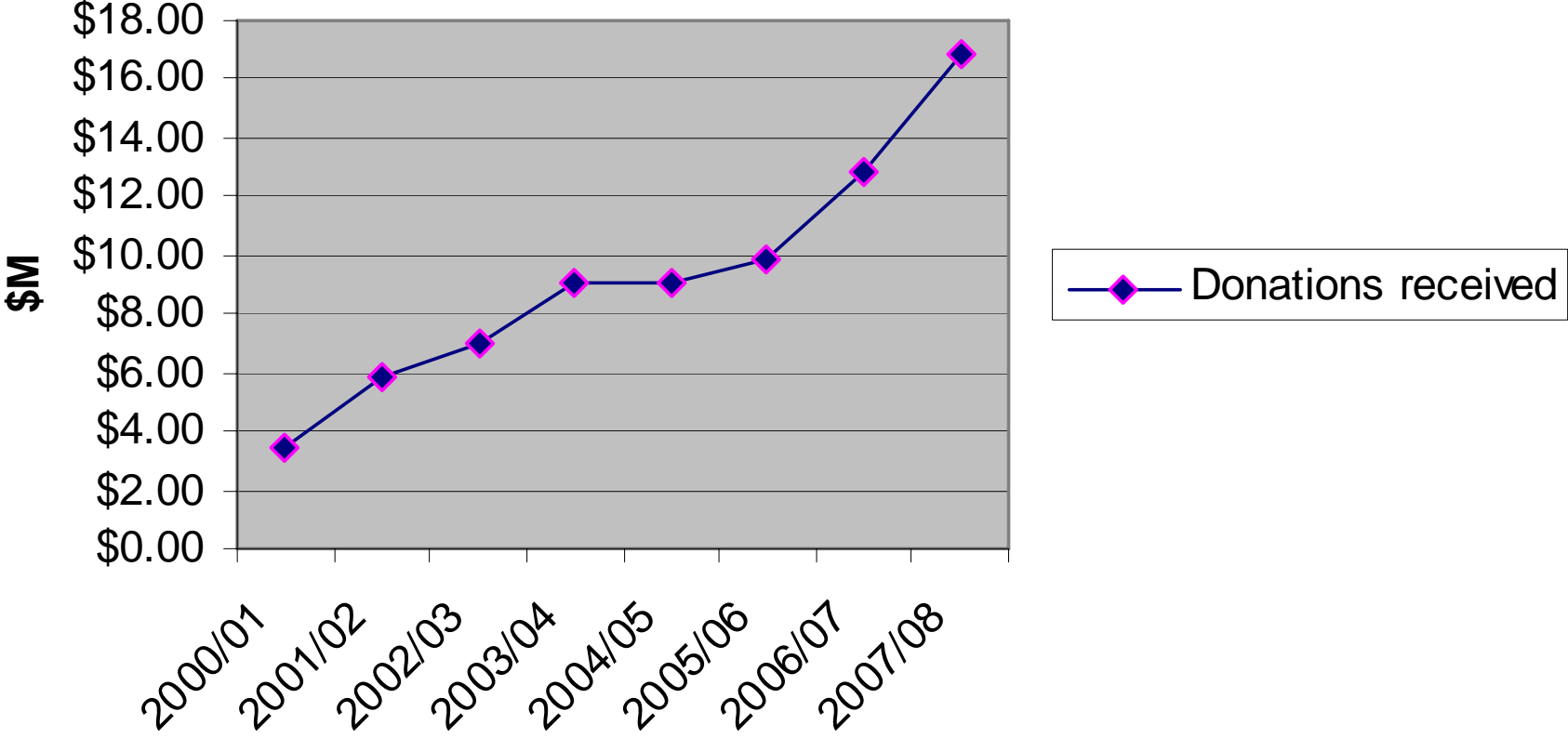
- Current approved projects – 2000/01 to 2007/08
- Amount of donations received – 2000/01 to 2007/08
- Amount of discretionary grants issued – 2000/01 to 2007/08
- Number of discretionary grants issued – 2002/03 to 2007/08
-

Current ASF Newsletter (June 2008)

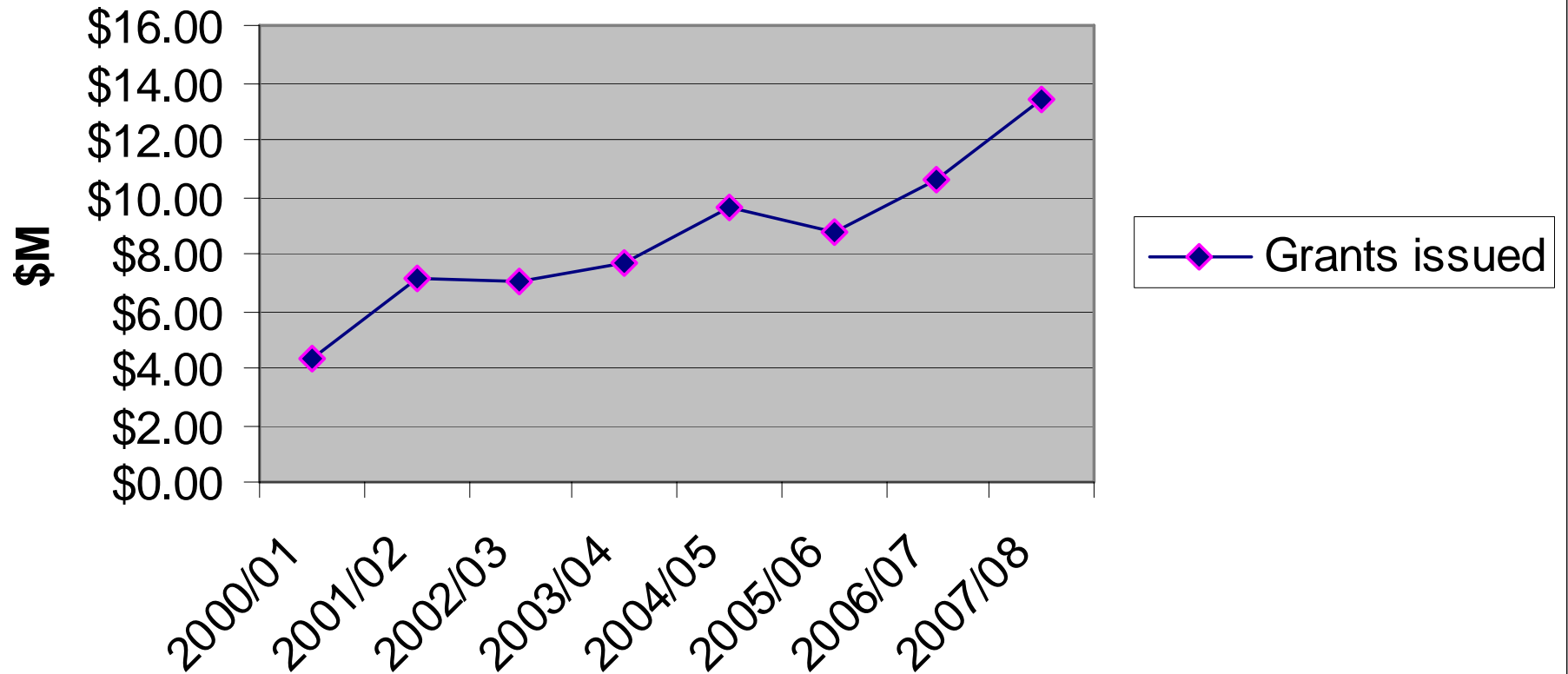
Current ASF Projects



Donations Received by the ASF



Grants Issued by the ASF



No. of Grants Issued by the ASF

