# How is the play, active recreation and sport sector in Aotearoa changing?

PARTICIPATION, FUNDING AND ECONOMIC TRENDS SHAPING THE SECTOR

2024

SPORT NEW ZEALAND IHI AOTEAROA

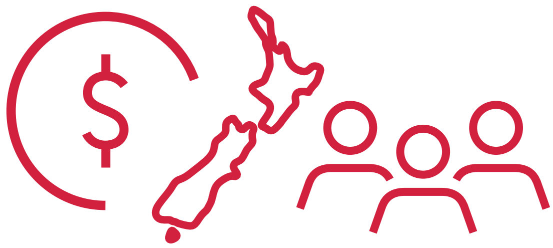
Te Kāwanatanga o Aotearoa
New Zealand Government

# Contents

# Executive summary

### Research overview

Having completed several research reports into the funding and economics of the play, active recreation and sport system and the participation habits of New Zealanders, we now have a wide range of data that paints a clear picture of the opportunities and challenges facing the sector. Using this research from the last 18 months, Sport NZ has identified the key trends shaping Aotearoa New Zealand's play, active recreation and sport sector.



## What the research tells us

We have an **increasingly strong evidence base** about the social and economic value that sport and recreation provides for New Zealand, which can be used to advocate on behalf of the sector.

People are increasingly looking for more **flexible, free or lower-cost** ways to be active. Sports memberships have declined significantly for rangatahi, with club revenue also declining and spending on recreation and culture (including play, active recreation and sport) declining as a proportion of household expenditure. Rises in the cost-of-living are accelerating the trend towards more flexible and informal ways of being active with many households reporting a shift to lower-cost ways of being active.

**Revenue for the system has declined significantly in recent years** and is likely to remain under pressure for some time. Revenue for the organised sport system has declined particularly rapidly, driven by reduced funding from membership and participation, sponsorship and commercial sources. There may be opportunities to learn from sectors such as the gym and fitness sector, which have seen revenues increase. Overall, funding is likely to remain under pressure for some time to come with the growing impact of climate change expected to add further cost pressures.

Activity opportunities have to adapt to meet the **evolving needs of participants**. Rangatahi report an ongoing 'weakening relationship with sport' in relation to both community and high-performance sport (that is, continued declines in reported enjoyment from playing and watching sport). Organisations need to think about how to ensure that the physical activity opportunities they are offering meet the needs of their prospective participants.

## Areas to consider

For a more sustainable future, sector organisations should consider and focus on three key areas:

### 1 Strategies for cost reduction and mitigation

What can organisations do to reduce costs and improve operational efficiencies, such as leveraging new technologies, fostering collaborations, and optimising facility usage?

### 2 Funding sustainability

How might organisations diversify their revenue or income streams? Can innovation and partnerships help drive more stable funding streams?

### 3 Participant-centred experiences

How can organisations get a better understanding of what their existing and prospective customers want and ensure that what they are offering matches this demand? To address the downward trend in interest from rangatahi in sport, sport organisations, in particular, need to ensure they are offering quality and enjoyable experiences for participants.

## Support

Sport NZ's refreshed 2024-2028 Strategy responds to several of these issues through three strategic priorities:

- Capable and resilient partner organisations (Strategic Priority 1)
- Quality opportunities and experiences (Strategic Priority 2)
- Empowered local communities and hapori (Strategic Priority 3).

However, there are limits to Sport NZ's ability to influence and control the wider sector. Sector organisations will need to consider how the trends shaping the wider system are affecting their individual organisation and consider how to respond given their own unique circumstances.

This report includes some practical suggestions about how to tackle the above issues from how to think about cost savings to ways to better understand participants' needs and wants.

No single organisation has the scale or capability to resolve the issues facing the sector. Collective efforts will be required to ensure that as many New Zealanders as possible can experience the benefits of being physically active both in the short-term and into the future.

# Research overview

One of our key roles at Sport NZ is to conduct and publish research about various aspects of the play, active recreation and sports system to provide insights that can be used by those working in the sector.

This report brings together the insights from a range of these projects to consider the implications they have for the system when considered holistically. The research considered in this report includes reports looking into various aspects of the funding and economics of the system as well as reports on the participation habits of New Zealanders. These reports are briefly outlined below, with more detail about the key findings from each report available in the appendices.

## Funding and economic reports

In the last 18 months, Sport NZ has conducted several research projects looking into specific aspects of the funding and economics of the sector including:

- Reports on the social and economic value that sport and recreation provides for New Zealand (the Social Return on Investment from Recreational Physical Activity in New Zealand and the Economic Value of Sport and Active Recreation 2023). These reports found that our sector delivers approximately $21 billion worth of value each year (approximately $4 billion of direct economic value coupled with approximately $17 billion in social value).
- An analysis of the funding of the play, active recreation and sport sector in New Zealand, which found that approximately $4 billion of revenue flows into the system each year to support many thousands of New Zealanders to be active. Inflation means that revenue has declined significantly in real terms in recent years (with almost $600 million less funding in real terms available in 2022 compared to 2018). The organised sport sector has been particularly hard hit with a decline of approximately 20% compared to the overall decline of 14%.
- An analysis of the extent of Alcohol Sponsorship in Sport, which found that alcohol sponsorship for sports organisations had dropped from $21 million in 2015 to approximately $10-12 million in 2023.

## Participation reports

In addition to our funding and economic research Sport NZ also has an ongoing series of reports looking at participation patterns to understand the different ways people choose to be active and how these change over time. This research includes:

- The ongoing Active NZ Survey which collects information about the participation habits of New Zealanders. While there was an obvious drop in participation in organised sport due to the impact of Covid-19, overall participation levels have still not yet returned to pre-Covid-19 levels:
  - Participation levels for tamariki have largely bounced back since Covid-19 (driven by the return of PE at school following the disruptions during 2020-2022). Rangatahi continue to show lower levels of participation in organised activities, although participation in informal activities has stabilised after a recent decline. This is reflected in behaviour and several long-term attitudinal trends for rangatahi, such as a weakening relationship with sport and attitudes towards being active.
  - It is a mixed picture for adults who have not sustained the higher participation levels seen in 2021. In 2023, adults' participation levels fell to below pre-Covid-19 levels.
  - Research over the last few years has shown changes in the way that people want to be active with a shift towards more flexible or informal ways of being active. Sports memberships have declined significantly for rangatahi, with club revenue also declining.
- A specific survey run by Sport NZ in early 2024 looked at the impact of the cost-of-living on participation. This survey highlighted a clear impact from the cost-of-living with many households, particularly those in middle-income brackets, reporting that they are changing how they participate in physical activity by switching to free or lower-cost activities. Families also reported that their children were doing fewer activities.
- Other data from Statistics New Zealand's Household Economic Survey indicates that organisations in the sector are competing for discretionary dollars at a time when household expenditure on recreation and culture (including play, active recreation and sport) is declining (down from 9.6% as a proportion of household expenditure in 2019 to 8.3% in 2023).

# Making sense of the research

After analysing this range of research, we considered what it tells us about the broader trends shaping the play, active recreation and sport sector.

## Key themes

Four key themes have emerged from this recent research:

### There is an increasingly strong evidence base about the social and economic value that sport and recreation provides for New Zealand.

We have been able to quantify not only the direct economic benefits that our sector delivers for the New Zealand economy but also the more intangible social benefits that come from being active such as the improved social cohesion and feelings of greater individual wellbeing.

This evidence base provides a strong foundation that can be used by organisations right across the sector to advocate on behalf of the sector. This can range from advocacy by national organisations, such as Sport NZ, into central government to advocacy that individual regional or local organisations and clubs can undertake with businesses, funders or prospective participants.

### Revenue for the system has declined significantly in recent years and is likely to remain under pressure for some time.

'Self-generated income' in the sporting sector (revenue from membership and participation, and sponsorship and commercial sources) has declined particularly rapidly. This research backs up what we have heard anecdotally for some time, that times are tough, and organisations are facing significant financial challenges.

With major funding sources such as local government and households under continuing financial pressure, this situation is unlikely to improve in the short-term. Issues such as climate change are likely to exacerbate existing financial challenges in the coming years with the costs of adapting facilities and delivering events likely to rise.

There are also opportunities for improvements in how the varied and disparate set of funding arrangements operate as a coherent system.

### People are looking for more flexible, free or lower-cost ways to be active.

Research over the last few years has shown changes in the way that people say they want to be active with preferences for more flexible ways of being active. This trend appears to have been accelerated by Covid and, more recently, by increases in the cost of living with many households, particularly those in middle-income brackets, saying they are changing how they participate in physical activity by switching to free or lower-cost activities.

### Organisations must adapt what they offer to meet the evolving needs of participants.

The declining perceptions of both community and high-performance sport reported by rangatahi, shift in participation towards more informal, flexible ways to be active and disproportionate reduction in funding for organised sport suggests that the current opportunities offered by the organised sport sector are not meeting the needs of younger participants. This research suggests that sports organisations, in particular, need to focus on the quality of their offering and use 'customer feedback' to ensure what they provide is fit-for-purpose and relevant to the needs and desires of their prospective participants.

## Risks and challenges

We know there are existing inequities in participation rates for particular demographic groups (for example, disabled people, women and girls, and those from lower socio-economic groups) and the evidence suggests that cost-of-living pressures from recent years are changing the participation behaviours of those on low incomes.

There is a risk that the decline in overall revenue for the system, coupled with increases in the cost-of-living, could heighten existing participation inequities. This could look like:

a. a greater proportion of the population having increasingly limited choices in how they and their whānau are active due to reduced discretionary income and/or increasing participation costs

b. overall funding pressures leading to a reduction in the funding that is available for new, innovative approaches to activities to address existing inequities.

# What needs to be done?

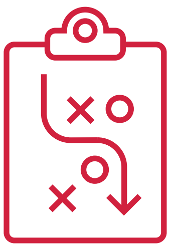
## Areas to consider

For a more sustainable future, sector organisations should consider and focus on three key areas:

**1**

### Strategies for cost reduction and mitigation

What can organisations do to reduce costs and improve operational efficiencies, such as leveraging new technologies, fostering collaborations, and optimising facility usage?



**2**

### Funding sustainability

How might organisations diversify their revenue or income streams? Can innovation and partnerships help drive more stable funding streams?

**3**

### Participant-centred experiences

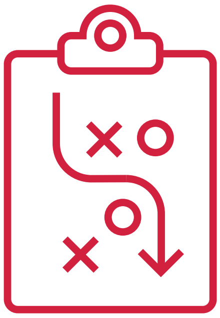
At a time when competition for households discretionary income is strong, how can organisations get a better understanding of what their existing and prospective customers want and ensure that what they are offering matches this demand? Sports organisations, in particular, need to make sure they are offering quality and enjoyable experiences for prospective participants to address the downward trend in interest from rangatahi in sport.

## Practical suggestions

We appreciate that many organisations will already be focused on the issues noted above. We have outlined below some practical measures that organisations may wish to consider in these three areas if they are not already doing so.

### Key Area 1

# Strategies for cost reduction and mitigation



## National or regional tournaments, conferences or events

- Think about the major events that you host – are they all necessary and do they all relate to your core purpose? Sometimes events continue because they've always been done that way and it can be worth considering these afresh.
- If you always use the same venue, have you contacted the local council or economic development agency to see if they can help? Bringing hundreds, maybe thousands, of people to a town for a few days brings major benefits so they may be willing to help with the cost of venue or grounds hireage.

## Suppliers

- Have discussions with the people you regularly pay to see whether they can support you in any way.
- For example, accommodation providers or caterers may be willing to offer a discount in return for their logo being included on promotional material about an event or tournament.

## Fixed assets

- Does your organisation still own fixed assets like cars and IT equipment?
- You can often make good savings from switching to a leasing model, with the benefit of not being responsible for extra costs when things break down.

## Office space

- Have you renegotiated your rent or lease agreements for any office space you have recently? It could be worth looking around to see if there are any better options available locally.
- Are there other organisations of a similar size working in your city or town that you could connect with to find some accommodation that meets your collective needs?

## Sharing facilities or staff

- Are there opportunities for organisations to look at working together and sharing facilities, services, and paid staff members of smaller organisations? For example, paid leadership, finance or HR roles could potentially be shared across two or more small organisations.

## Environmental sustainability

- You may be able to reduce costs by transitioning to more environmentally sustainable practices.
- Some environmental sustainability actions include an upfront cost, but most will lead to long-term cost savings and greater financial sustainability. For instance, measuring your usage and implementing ways to reduce your fuel, water, materials, and electricity use, will lead to a reduction in your costs.
- The benefits of improving your environmental sustainability go beyond immediate cost savings. You may find that the reputational impact from being more environmentally sustainable can unlock new sponsorship streams, and other funding opportunities.
- The Sustainable Business Network has produced a Climate Action Toolbox for measuring and reducing carbon emissions and realising the financial and reputational benefits. The toolbox is free and simple to use and provides tailored advice on the most impactful changes for you.

## N3 discount card

- Sport NZ pays an annual fee for the N3 discount card, which can be used by organisations in the play, active recreation and sport sector. This card provides discounts on a wide range of products – for example, fuel and office supplies.
- If you are not already using this get in touch with your Sport NZ partnership manager to ask for more details.

Key Area 2

# Strategies for attracting revenue and becoming more sustainable

## Collaborative fundraising

- Are there opportunities for you to work more closely with similar organisations to seek funding collectively or collaborate on joint-fundraising campaigns?

## Flexible membership or participation options

- Are there more flexible alternatives to traditional memberships or subscriptions that could be considered? For example, some prospective participants may not want to sign up for a whole season playing a particular sport or participating in a specific activity, but may be interested in more casual participation options.
- Some examples can be seen in the fitness industry with the growth of flexible or casual gym memberships and pay as you go options for many classes.
- Another example is golf, where many clubs have chosen to supplement the traditional annual membership with many other options including, midweek, 9-hole, summer, age-related memberships, have-a-go days, and specific sessions targeted at women and girls.
- Are there ways your organisation could offer more flexible options that don't require such a commitment from the participant?

## Alignment with funders

- The sponsorship and funding landscape is changing with greater emphasis being placed on values and purpose.
- Potential sponsors are often looking for organisations or opportunities that either align with their corporate values or that can offer something the business doesn't have but wants to be associated with.
- Deals can still be done but there is a growing need to be able to clearly demonstrate the value or impact that will be achieved through the sponsorship or funding.
- The improved evidence base referred to in this report about the value of sport and recreation may be of use to demonstrate this value.

Key Area 3

# Offering participant-centred experiences

## Understanding your participants

- Think about what your participant or prospective participant wants - do you know enough about your participants or prospective participants and what they are looking for?
- There are a variety of ways to get feedback from your participants ranging from formal surveys (such as the Sport NZ Voice of Participant surveys), focus groups or talking to your participants on the sidelines or before or after a game or activity.
- It's important to understand what your partcipants like, what's missing and what could be done differently. It can also be useful to think about opportunities to use member databases where they exist. For example, does your membership base represent your local community? If not, what parts of your community are not represented in your membership and think about why that might be the case.
- Do you know which of your members haven't renewed memberships in recent years and do you know why? You might be able to find out through a short survey or follow up emails or calls.
- Since 2016, Sport NZ has run Voice of Participant surveys in a range of sports that can provide useful insights into the experiences that participants are having. Twenty-three National Sports Organisations have participated in this series with 17 participating several times:
  - The majority of these sports (13 out of 17) have seen an average overall increase of more than 3% in satisfaction from their participants over this time.
  - More information about the findings from Voice of Participant surveys is available on the Sport NZ website. If your organisation is interested in participating in Voice of Participant then contact your partnership manager or email VOP@sportnz.org.nz to find out more.

## Co-design

- Are your members and participants involved in shaping the opportunities you provide?
- Think about co-designing activities with your participants.
- Check out the co-design guidance on the Sport NZ website.

## Learning from others

- What can be learnt from other organisations or sectors? For example, the gym and fitness sector has seen revenue growth in recent years even at a time when household's disposable income spent on the recreation and leisure sector has declined.
- Activities such as CrossFit have grown strongly and it is worth considering what these activities offer that people find attractive. Where people see value they are still prepared to pay for it, even in the current economic climate.

# Guidance and support

The refreshed Sport NZ 2024-2028 Strategy prioritises and responds to many of the trends identified in the recent research, focussed on three strategic priorities:

- Capable and resilient partner organisations (Strategic Priority 1)
- Quality opportunities and experiences (Strategic Priority 2)
- Empowered local communities and hapori (Strategic Priority 3)

**Read Sport NZ's 2024-28 Strategy**

Resources are available to assist organisations in tackling many of the issues covered in this report. On the Sport NZ website, you'll find tools, templates and guides across a range of areas such as governance, leadership, finance, human resources, technology and health and safety.

**View more resources and sector guidance**

One of Sport NZ's leadership roles is to understand and communicate the ongoing trends that are shaping the play, active recreation and sport sector and their potential implications. We aim to share insights and intelligence so our partners have the best information available to help them make decisions about how they should respond. This relates to, and complements, our 'futures' work, which looks at potential changes to the funding of the system alongside other major drivers of change shaping the future of the play, active recreation and sport system in New Zealand.

**Read the Drivers of Change report**

However, there are obvious limits to Sport NZ's ability to influence and control the wider sector. No single organisation has the scale or capability to resolve the issues facing the play, active recreation and sport system. Instead, organisations from across the system will need to collaborate and work together to address the current challenges and ensure that as many New Zealanders as possible can experience the benefits of being physically active.

# Appendices

## Appendix 1:
## Key findings from economic and social return on investment reports

### Key findings from Economic Value of Sport and Active Recreation report

The Economic Value report measures the sector's economic value in its broadest sense and captures the direct financial benefits that the sport and recreation sector provides to the New Zealand economy. The report considers three key economic indicators that look at different aspects of the contribution the sector makes to the economy:

1. Consumer expenditure on sport and active recreation (for example, clothing and equipment).
2. Sport and active recreation Gross Value Added (GVA).
3. Sport and active recreation employment.

#### Consumer expenditure on sport and active recreation (e.g. clothing and equipment)

Consumer expenditure on goods and services related to sport and active recreation in Aotearoa New Zealand in 2019 was $3,846m, or 2.1% of total consumers' expenditure. This figure included more than $1 billion on sport and recreational equipment ($1,060.0m), while other significant categories included charges to participants for recreation and sport services ($315.9m), international sport events ($279.0m), subscriptions and donations to fitness clubs ($246.6m), and bicycle equipment and repairs ($246.6). Gambling on horse and greyhound racing gambling is also high ($331.8m), which is not unusual (sport gambling is one of the major sectors in the UK Sport Satellite Account).

#### Sport and active recreation Gross Value Added

Sport and active recreation GVA provides the best single measure of the contribution that the sector makes to the New Zealand economy. GVA is the difference between the value of all goods and services produced in the sector and the value of all inputs purchased from other sectors and used to produce those goods and services. GVA measures the contribution of the sport and active recreation industry to the national economy.

The report found that sport and active recreation added $3.96 billion of value (GVA) or 1.4% of total output to the economy of Aotearoa New Zealand in 2019. A large part of this is generated outside of the sport and active recreation sector (36%), through the non-commercial sport sector in services such as building, construction, and manufacturing that are all related to sport and active recreation (for example, the economic benefits from building a sports facility or manufacturing sports equipment). This reflects the strong connection that the sport and recreation sector has to the broader New Zealand economy.

#### Sport and active recreation employment

The sport and active recreation sector generated 53,480 jobs in 2019, or 2.5% of all employment in Aotearoa New Zealand. This share is greater than the comparative contribution of GVA and implies that sport is an efficient generator of employment, in the sense that an investment in sport would generate more employment than in the average sector of the economy. Sport therefore can become a policy tool to increase employment during recessions or a crisis such as Covid-19.

*Table 1: Contribution of sport and active recreation sector to the NZ economy*

| Economic indicator | Total | Community participation | Other (including High Performance) |
|---|---|---|---|
| Gross value added (GVA) | $3.96bn | 73% ($2.9bn) | $1.06bn |
| Employment | 53,480 | 73% (39,100) | 14,380 |
| Consumer expenditure | $3.85m | 68% ($2.6bn) | $1.25bn |

See the full report on the Economic Value of Sport and Active Recreation.

## Key findings from Social Return on Investment from Recreational Physical Activity report

Recreational physical activity generates considerable value to society beyond the traditional economic measures identified in previous studies. This study was our first attempt to measure some of the previously unquantified benefits that recreational physical activity provides. The study showed that recreational physical activity generates almost $17 billion in social value with a social return on investment of $2.12 for every $1 invested.

The study estimates the inputs that are required for people to participate in recreational physical activity – for example, voluntary labour, household spending on clothing and equipment, and funding from central and local government – to deliver physical activity and then measures this against the estimated social outcomes that come from participation.

The total inputs are estimated at $7.95 billion with the largest inputs being voluntary labour (38.8 percent of total investment) and household expenditure (37.2 percent of total investment).

The total value of all social outcomes is estimated at $16.8 billion. The largest contribution comes from health benefits (approximately $9 billion from improved quality of life and increased life expectancy, and the prevention of diseases attributable to physical inactivity). Other contributions come from improvements in subjective wellbeing (more than $3 billion from improved happiness and life satisfaction), work, care and volunteering (approximately $3 billion in value provided by volunteers) and almost $900 million in improved productivity due to reduced absenteeism.

The estimated Net Present Value (that is, the difference between the value of the outcomes and inputs) is $8.86bn, which implies a Social Return on Investment of 2.12. For every $1 invested in recreational physical activity, $2.12 worth of social impacts are generated.

View the full report on the Social Return on Investment from Recreational Physical Activity.

# Appendix 2:
# Overview of sector funding and financial challenges

The play, active recreation and sport sector is facing significant financial challenges. Revenue for the system has declined significantly in recent years, and is likely to remain under pressure for some time. The growing impact of climate change is expected to add further cost pressures while the disparate set of funding arrangements does not always function as a coherent system. More information about these issues is provided below.

## Key findings from Funding of the Play, Active Recreation and Sport sector report

In 2023 Sport NZ commissioned the New Zealand Institute for Economic Research (NZIER) to provide a report on the funding of the play, active recreation and sport system and how this has changed over time. This research noted that the play, active recreation and sport system received a relatively consistent amount of revenue (approximately $4 billion per year) but that this represented a real term decline of more than $500 million (14%) between 2018 and 2022 when inflation was accounted for. Key findings from the research include:

- There is a complex web of funding across the system with revenue distributed from a wide range of sources to a wide range of organisations.
- Membership and participation fees ($1.26 billion) provide the biggest single source of revenue for the sector followed by local government ($1.05 billion) while central government only provides about 10% of overall revenue ($380 million).
- The biggest reductions in revenue between 2018 and 2022 have been seen in membership, participation, sponsorship and commercial activities. This has led to an increasing reliance on central, local government and Class 4 gaming funding, which have held up relatively well over the same time period.
- There has been a particularly sharp reduction in revenue for the 'organised sport system' (defined as National Sports Organisations, Regional Sports Organisations and local sports clubs) with revenue falling by 20% in real terms between 2018 and 2022.
- The same period has however seen an increase in revenue for 'pay for play' activities (fitness industry, commercial events not organised by sports clubs, fitness clubs and local councils).

See the full report on the Funding of the Play, Active Recreation and Sport Sector.

Sport NZ also commissioned the NZIER to produce an updated estimate of the extent of alcohol sponsorship in sport given the previous estimate was completed in 2015. This research found that alcohol sponsorship for sports organisations had dropped from $21 million in 2015 to approximately $10-12 million in 2023 (5-6% of all sponsorship revenue received by sports organisations).

See the full report on the extent of Alcohol Sponsorship in Sport.

## Impacts of climate change on funding

Climate change is a critical factor and its impact needs to be considered across all aspects of life in New Zealand. It is impacting the play, active recreation and sport sector in two key ways:

### 1. Reducing the funding available for other priorities

As 2023 demonstrated, the cost of responding to climate change weather events can be enormous and this has an obvious consequence of reducing the central and local government funding available for investment in areas such as play, active recreation and sport. Major weather events such as the Auckland floods and Cyclone Gabrielle are likely to occur more regularly, and be more severe when they do occur, as the impact of climate change grows. The response to emergencies such as these is likely to require additional funding on an ongoing basis both by central government and from the relevant local governments. So, there will be less funding available for other priorities such as play, active recreation and sport.

### 2. Increasing the cost associated with delivering play, active recreation and sport opportunities

- Costs associated with **clean up and repair** to the damage caused to sport and recreation facilities by major weather events such as the Auckland floods and Cyclone Gabrielle.
- **Adaptation of infrastructure and facilities** to make them more resistant to major weather events (that is, protecting facilities from flooding or making them more resilient in the case of weather events through better drainage). This will impact both high-performance and community sport and recreation facilities.
- **Increased insurance costs:** There were more insurance pay outs for weather-related damage in 2023 than in the previous 14 years added together[1]. As claims increase, premiums increase. Travel insurance will also become more expensive given the greater risk of disruption due to weather events.
- The cost of **hosting and competing in high performance events** is also likely to rise due to increased travel costs and the potential need for athletes to train overseas for longer, and the need for additional staffing and operating costs from delayed or extended tournaments due to weather disruptions (for example, heat, storms) or enforced breaks.

### The current climate change challenges do also present some opportunities

Sports and activities that can demonstrate their environmental commitments may be able to attract new members and participants, especially rangatahi, who are interested in climate-friendly activities. There are also likely to be sponsorship, partnership and funding opportunities with climate friendly brands and companies while potential cost savings can be made from decarbonising. Upfront costs may be higher (for example, for installing solar power) but whole-of-life costs will be lower and so savings can be made over time.

Find more information about the possible impact of climate change on the sport and active recreation sector in Sport NZ's The Heat is On report.

1 NZ climate-related disasters hit record high in 2023 – Planetary Ecology

## Potential improvements to how current funding arrangements operate as a coherent system

We have also considered how the funding arrangements operate as a system. The current funding system for play, active recreation and sport is an ad hoc set of arrangements that has arisen over time with funding drawn from a wide range of sources and dispersed to a wide range of organisations. As such these funding arrangements often do not function particularly well as a coherent system.

The current funding arrangements can create inefficiencies and although many funding decisions are made public, no transparent overall picture of funding sources is available. While the system supports many to be active we know that many miss out and there are inequities in the system. Although there are examples of organisations successfully collaborating, this is sometimes despite the system rather than because of it. Overall, the funding arrangements do not tend to incentivise or reward innovation.

As the play, active recreation and sport system is so broad and complex, the issues noted above play out in different ways for different organisations. However, there are some issues that appear to be common across much of the system, such as issues relating to a lack of transparency and clarity about the funding that is available and issues in relation to the accessibility of funding. Some examples of these issues are highlighted below:

- Funding is often inequitably distributed across activity types (for example, some activities or sports receiving more than others), demographic groups (e.g. Māori sports organisations have generally been underfunded compared to non-Māori sports organisation) and gender (male-dominated sports receiving more funding than female sports).
- There are ongoing concerns about the increasing professionalisation of community sport – for example, clubs focussing on academies and payments for 'elite' players rather than on enhancing the experience for all. This can lead to membership fees for social teams being more expensive than they should be due to the cross-subsidisation of 'elite' teams.
- Funding criteria can sometimes be narrow and prescriptive which can make it hard to access funding for broader projects that focus on improving wider social outcomes. This can hinder the ability of activity providers to be innovative in their delivery. Related to this, funding is often limited to programme delivery so it can be difficult for small providers to keep organisations running (for example, to fund salaries, back office costs).
- There are concerns about contestable funding being distributed based on existing networks and personal relationships (that is, who you know) and historical arrangements rather than on the merits of specific proposals. This can limit the ability for new and different initiatives to get funding.

# Appendix 3:
# Overview of participation research

## Key findings from Active NZ

The latest Active NZ findings (2023 calendar year) indicate that:

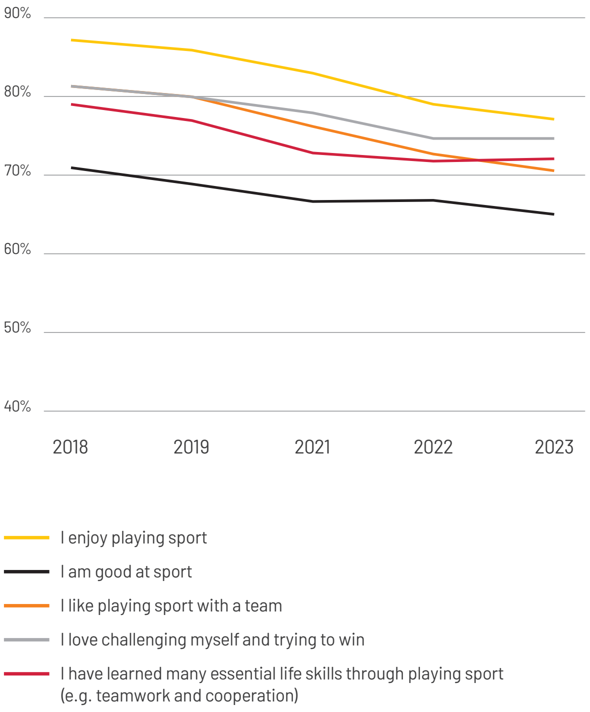
- Key participation statistics for rangatahi and adults have mainly stabilised in 2023. It is good to see that people are still being active but there appears to be an ongoing shift in how people want to be active.
- Amongst tamariki, organised and informal play have bounced back to 2017 levels. Increases in organised sport participation for tamariki are driven by the return of PE at school following the disruptions during 2020-2022.
- Rangatahi continue to show lower levels of participation in organised activities over time but participation in informal activities has stabilised in 2023 after a decline in 2022.

For all young people (tamariki and rangatahi):

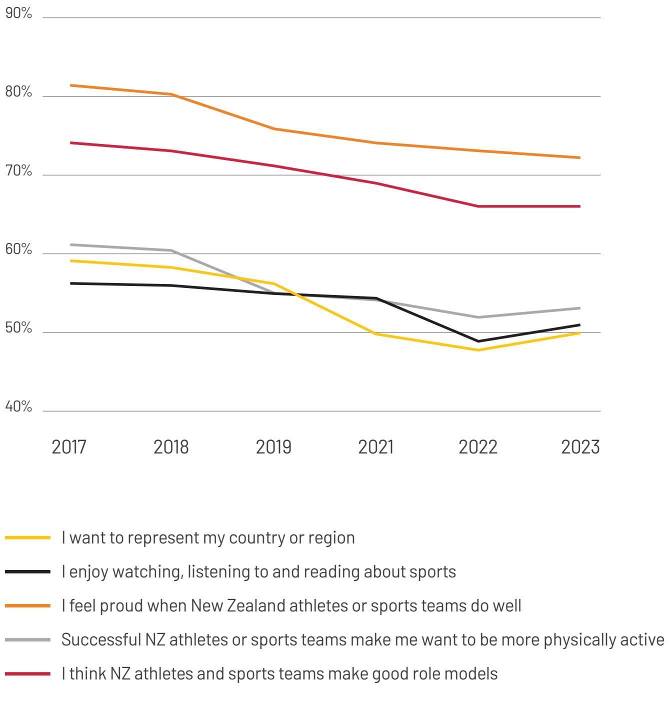
- PE in class at school represents the biggest bounce back from the lockdown-related low in 2021.
- Other organised sport measures of participating in a competition or tournament, and training or practising with a coach/instructor both continue to decrease further. In 2017, 32% of young people participated in tournaments, whereas 26% claim to have done so in 2023.

Active NZ includes a range of questions for rangatahi about their perceptions in relation to both community and high-performance sport. Of particular concern is an ongoing trend since 2017 that represents declining levels of engagement from rangatahi with both community and high-performance sport (that is, continued declines in reported enjoyment from playing and watching sport). This declining engagement over time can clearly be seen in the graphs below.

### Rangatahi engagement with sport




### Rangatahi engagement with high performance sport



## Key findings from a cost-of-living survey (plus Household Expenditure data)

In early 2024 Sport NZ commissioned a bespoke survey to investigate the impact that the cost-of-living is having on participation in play, active recreation and sport. This survey asked approximately 1,000 households a series of questions about how they were participating in play, active recreation and sport and any impact that changes in the cost-of-living were having on this participation.

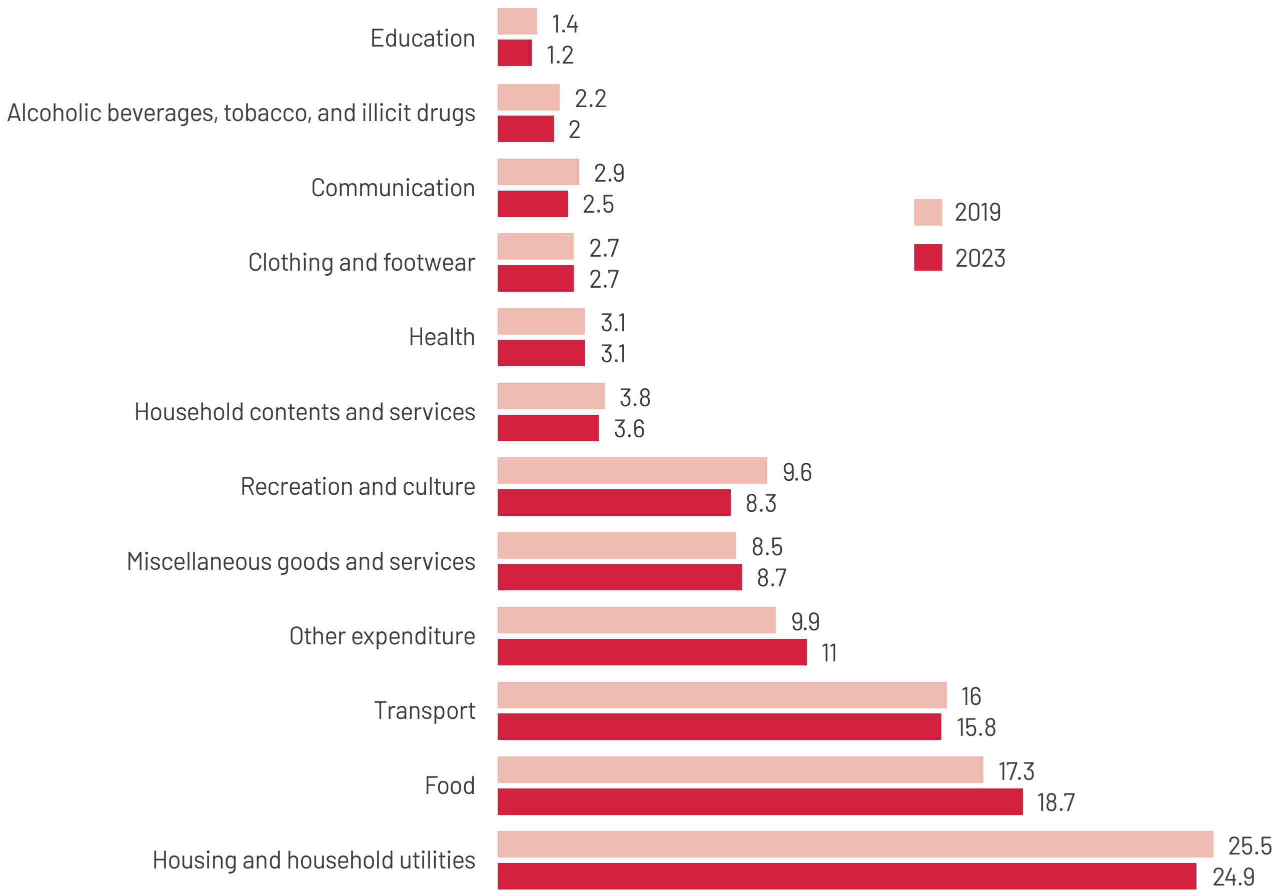
Key findings from this survey include:

- 26% of New Zealanders indicated the amount of time they spend on sport and leisure has increased in the last year
- However, compared to the same time last year, the overall amount that they spend on sport and leisure has decreased
- When prompted, 43% of people said that the increasing cost-of-living has driven changes in their sport and leisure activities.
- Because of the increasing cost-of-living:
  - 44% of families say they have changed the sport and leisure choices they make
  - Many families report their children doing fewer activities
  - Nearly seven in ten (66%) of families report doing more free/cheap activities than they did a year ago
  - Nearly one in five (19%) of parents are participating less so their children can do more.

Another source of data, Statistics New Zealand's Household Economic Survey, shows that households are spending less of their income on recreation and cultural activities including sport and active recreation.

As a proportion of total net household expenditure, recreation and culture spending (including sport and active recreation) decreased to 8.3% in the year ended June 2023 (down from 9.6% in 2019)[2].

**Proportional spending by expenditure group, year ended June 2019–2023**




2 Shift in spending patterns as expenditure increases | Stats NZ

SPORT
NEW ZEALAND
IHI AOTEAROA


Level 1, Harbour City Centre
29 Brandon Street
Wellington 6011, New Zealand
PO Box 2251 Wellington 6140
Phone: +64 4 472 8058
sportnz.org.nz


Te Kāwanatanga o Aotearoa
New Zealand Government