



# An analysis of the funding of the play, active recreation and sport sector in New Zealand

NZIER report to Sport New Zealand

August 2023



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## Authorship

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## Executive summary

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Sport New Zealand is the Crown agency responsible for promoting and supporting quality experiences in play, active recreation and sport to improve levels of physical activity and, through this, ensure the greatest impact on the wellbeing of all New Zealanders. The play, active recreation and sport sector (the sector) in New Zealand encompasses a large number of organisations and organisation types. Although Sport New Zealand is a funder of the sector, the sector is also funded through a large variety of other sources. Sport New Zealand commissioned NZIER to analyse the sector's funding, how that funding is split amongst organisation types that receive the funding, and how funding levels have changed over time.

NZIER estimates that in 2022, the sector received a total funding of \$4.0 billion or \$3.9 billion when revenue flowing between organisations in the sector is excluded. The largest source of funding to the sector is revenue from membership and participation, accounting for approximately 30% of total sector funding at \$1.3 billion, followed by local government, which spends \$1.1 billion on the sector. Central government funding, sponsorship, commercial revenue, grants, and philanthropy all contribute approximately \$300 million to \$400 million per year to the sector.

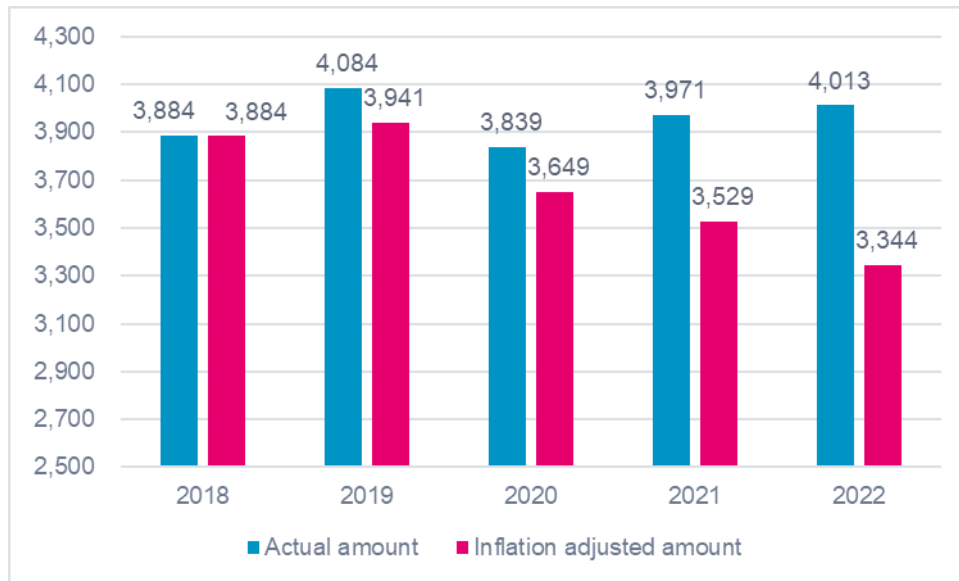
At \$1.2 billion, by far, the biggest share of funding to the sector does not go to any particular organisation type but is spent on services and facilities used by the community, funded by central and local government. Of the organisations in the sector that receive revenue, the estimated 7,500 clubs receive the most in total at \$1 billion per annum, while National Sports Organisations (NSOs) and Regional Sports Organisations (RSOs) receive close to \$600 million and \$400 million, respectively.

Looking at trends in funding over time, the impact of COVID-19 is apparent, with an estimated \$250 million decrease in funding to the sector between 2019 and 2020. Although funding has recovered from its low point in 2020, the sector's funding, when excluding revenue flowing between organisations in the sector, is still less in 2022 than before COVID-19. As well as a decrease in revenue due to COVID-19, the sector has become more reliant on central and local government funding and Class 4 gaming grants since 2018. These funding sources have grown, while the funding generated by organisations through membership, participation, sponsorship and commercial activities have all decreased.

Taking inflation into account, the revenue received by the sector is approximately \$540 million (or 14%) less in real terms in 2022 than it was in 2018 (or \$570 million if payments between organisations within the sector are excluded). After the initial impact of COVID-19 between 2019 and 2020, inflation has resulted in real reductions in funding in every subsequent year, with central government funding being the only source to keep pace with inflation.

**Figure 1 Total funding to the sector from 2018 to 2022, including funding between organisations**

\$ millions



Source: NZIER

The other trend that can be seen by looking at funding over time is a move from organised sporting activities to “pay for play” activities. Revenue for the fitness industry, events and other recreational activities has increased over time while the revenues of NSOs and RSOs have decreased and the revenue of clubs has stagnated. When inflation is factored in, the squeeze on the organised sporting structure becomes more apparent, with NSOs, RSOs and clubs seeing their funding decrease by 20% in real terms from 2018 to 2022.



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# 1 Introduction

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Sport New Zealand is the Crown agency responsible for promoting and supporting quality experiences in play, active recreation and sport to improve levels of physical activity and, through this, ensure the greatest impact on the wellbeing of all New Zealanders. The play, active recreation<sup>1</sup> and sport sector (the sector) in New Zealand encompasses a large number of organisations and organisation types. Although Sport New Zealand is a funder of the sector, the sector is also funded through a large variety of other sources. Sport New Zealand commissioned NZIER to analyse the sector's funding, how that funding is split amongst organisation types that receive the funding, and how funding levels have changed over time. To undertake this analysis, NZIER analysed a wide range of proprietary and publicly available data sources. These data sources and the methodologies used are set out in section 6 below.

This work expands on reports completed by Sport New Zealand in 2014 and 2021. Key differences in this report are that it examines a wider range of funding sources and analyses data on a broader range of funding recipients. Below is a description of the classifications of funding recipients and funding sources used in this analysis.

## 1.1 Funding recipients in the sector

### 1.1.1 National Sports Organisations

National Sports Organisations (NSOs) are responsible for the governance and operation of a particular sport in New Zealand. Sport New Zealand estimates that there are approximately 100 NSOs in New Zealand. Depending on the popularity of the sport, the nature of the sport and the level of participation within it, they range in size from large organisations with significant commercial revenue, such as New Zealand Rugby, to much smaller organisations with at most a handful of employees and volunteers.

### 1.1.2 Regional Sports Organisations

Sitting below NSOs in the sporting organisation structure in New Zealand are Regional Sports Organisations (RSOs). RSOs are responsible for the governance and operation of a sport within a particular geographic region. How sports are organised regionally and the functions of RSOs vary from sport to sport. Sport New Zealand estimates there are approximately 900 RSOs in New Zealand.

### 1.1.3 Clubs

Sport and active recreation is often provided to New Zealanders through clubs. Again, the size and scale of clubs vary considerably by sport or recreation activity and location. These clubs are usually affiliated with the RSO in their region. Sport New Zealand estimates that there are approximately 7,500 sport and recreation clubs in New Zealand.

<sup>1</sup> Active recreation is defined by Sport New Zealand as non-competitive physical activity for the purpose of wellbeing and enjoyment.



#### **1.1.4 Regional Sports Trusts**

Regional Sports Trusts (RSTs) are charitable trusts established to develop and promote community sport, recreation and physical activity at a regional level within New Zealand. There are 18 RSTs in New Zealand. The activities that these RSTs undertake will cover play, active recreation and sporting activity.

#### **1.1.5 Recreation organisations**

This report groups together organisations that provide active recreation at a national or regional level. These include the YMCA, Girl Guides New Zealand and Outward Bound.

#### **1.1.6 Disability organisations**

These organisations provide sport and recreation for disabled New Zealanders at a national or regional level. These include Paralympics New Zealand, paraFed organisations that organise disabled sport at a regional level, and other organisations such as Special Olympics and the Halberg Foundation.

#### **1.1.7 Olympic organisation**

The only organisation within this classification is the New Zealand Olympic Committee (NZOC), which is responsible for the selection and sending of New Zealand teams to the Olympic and Commonwealth Games.

#### **1.1.8 Fitness industry**

Organisations within this classification are commercial entities that provide fitness services, such as gyms and personal trainers, to paying customers.

#### **1.1.9 Education**

We have classified organisations that oversee sport within an educational context in this classification. These include university and regional school sports organisations. It should also be noted that schools are a significant provider of sports and recreation for New Zealand tamariki and rangatahi, both in an organised capacity through physical education lessons and extra-curricular activities, as well as through the provision of playing fields and facilities. As the funding of teacher salaries and operating costs for sport and recreation facilities is not broken out from the rest of the funding schools receive, we have been unable to estimate the value of this expenditure. If this figure could be identified, it would represent a significant source of funding to the sector. Currently, the Government spends \$2.6 billion on maintaining school property, which will include sport and recreation facilities, and \$7.2 billion on operational funding, which includes the salaries of physical education teachers and primary school teachers who spend part of their week teaching physical education.

#### **1.1.10 Sports franchises**

A limited number of sports have professional or semi-professional sports teams that compete in national or international competitions, which we have classified in these categories. Examples include the New Zealand Super Rugby franchises, New Zealand netball franchises and the New Zealand Warriors.



### **1.1.11 Events and other recreational activities**

This category of funding recipients includes events, facilities and services provided by entities other than clubs, fitness clubs and local councils. Examples are the Auckland Marathon or privately operated swimming pools. In some years, this also includes government funding for major events such as the America's Cup.

### **1.1.12 General public**

For some funding provided to the sector by central or local government, the recipient is the general public. Examples include the provision and upkeep of parks and playgrounds by local government and walking tracks by local and central government. This funding will be in respect of play, active recreation and sport. For example, local government spend on parks may support sporting activity or active recreation activity, while their spend on playgrounds funds play activity.

## **1.2 Funding sources for the sector**

### **1.2.1 Central government**

As well as the funding provided by Sport New Zealand and its subsidiary, High Performance Sport New Zealand, a number of other Crown agencies fund the sector in New Zealand. This funding takes the form of funding to organisations in New Zealand as well as the provision of services accessed by New Zealanders.

### **1.2.2 Local government**

Local government provides some funding to organisations within the sector, but the bulk of its funding is in providing facilities and services accessed by New Zealanders.

### **1.2.3 Class 4 gaming grants**

Under New Zealand's gambling laws, charitable trusts can operate gaming machines (colloquially known as pokies) in licensed venues in New Zealand. The profits from these machines are distributed to community groups, including sport and recreation groups, in the form of grants.

### **1.2.4 Sports betting**

TAB New Zealand, New Zealand's racing and sports betting monopoly agency, is able to take bets on sporting events in New Zealand and overseas. A levy is paid by the TAB to the NSOs such as New Zealand Rugby and Basketball New Zealand, who oversee the sports the bets are accepted based on the total amount gambled on each sport in the year.

### **1.2.5 Membership and participation**

Organisations in the sector receive revenue from their members through membership fees or subscriptions, as well as from other activities that people pay to participate in, such as attending matches. The nature of this revenue depends on the organisation type. For example, some NSOs receive significant revenue from attendance at matches, while clubs and organisers of events might receive entrance fees from participants in events and tournaments.

### 1.2.6 Sponsorship and commercial revenue

Organisations in the sector receive sponsorship revenue from sponsors who market themselves and their products through an association with the organisation, its teams or events. Some organisations, such as NSOs, also receive significant revenue through other commercial relationships, such as selling broadcast rights or licensing arrangements.

### 1.2.7 Affiliation fees

As outlined above, the sports system in New Zealand is organised in a pyramid system. NSOs oversee a particular sport at a national level. Sitting below these NSOs are RSOs who are responsible for a sport in a particular geographic region. Underneath the RSOs are clubs that provide the sport to the public. Both NSOs and RSOs receive affiliation fees from organisations further down the structure. Although these are significant sources of revenue for NSOs and RSOs, they do not represent new revenue to the sector as a whole, as they are funded by organisations elsewhere in the sector.

### 1.2.8 Grants

Beyond grants received from Class 4 gaming trusts, the sector receives a variety of grants from other sources. These include grants from governing bodies. For example, NSOs, such as New Zealand Football, receive grants from their international governing body, such as FIFA. RSOs and clubs may receive grants from their NSO and RSO, respectively. Grants are also made by other philanthropic and charitable entities to organisations within the sector. As with affiliation fees, not all of the grant funding received by organisations in the sector is 'new' revenue, as some, such as grants from NSOs to RSOs, represent transfers within the sector.

### 1.2.9 Other funding

As could be expected with such a diverse sector, there is a large amount of funding that cannot be classified to the funding sources listed above. The nature of this funding depends on the organisation, but revenue from sources such as bar takings, sale of goods and services such as uniforms and hireage of facilities represent a significant proportion of this miscellaneous revenue, especially for clubs. It should be noted that although the revenue earned by the sector through these miscellaneous sources is large, a large proportion of it covers the cost of what is being sold. For example, revenue from bar takings will cover the cost of buying the drinks as well as wages of bar staff.

## 2 Overall funding of the sector

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We estimate that in 2022, the sector received a total of \$4.0 billion of funding, or \$3.9 billion, when we exclude revenue flowing between different organisation types within the sector. Below in Table 1 is a full analysis of funding sources and recipients in 2022. In the sections below, we will expand on both the sources of funding and where the funding is disbursed.

**Table 1 Estimated funding of the New Zealand play, active recreation and sports sector by source and recipient 2022**

\$ millions

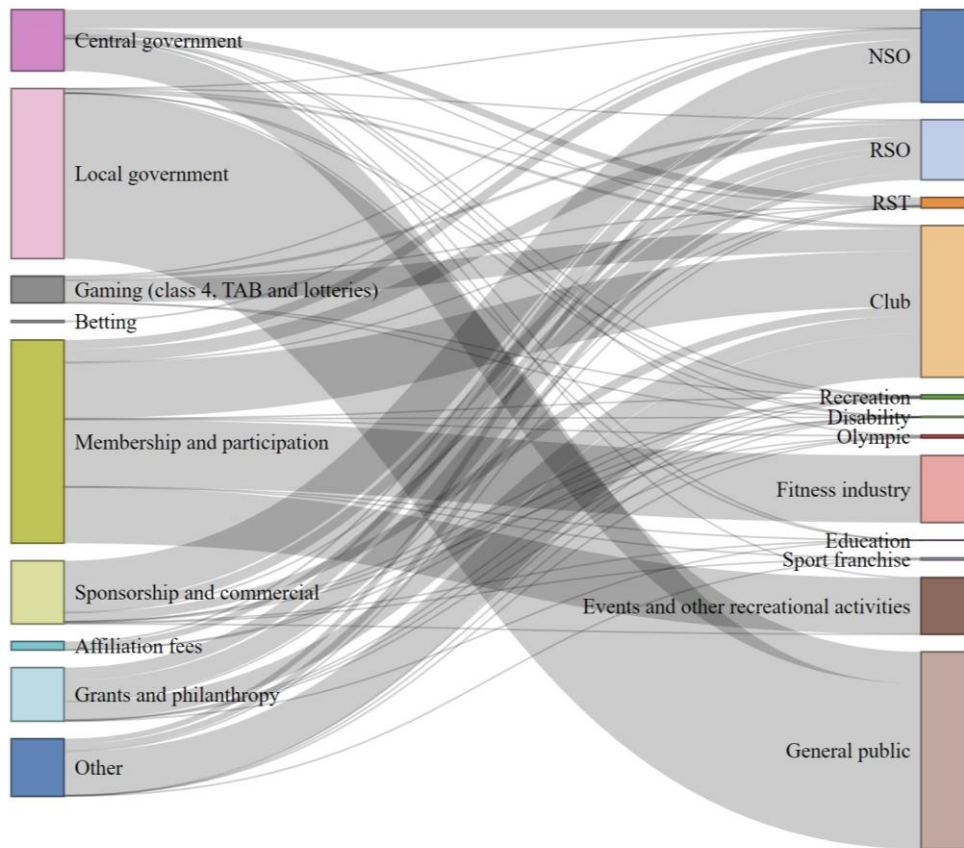
Recipient	Total	Funding source								
		Central government	Local government	Class 4 gaming grants	Betting	Membership and participation	Sponsorship and commercial	Affiliation fees	Grants and philanthropy	Other
NSO	\$574	115	0	3	13	56	261	13	80	34
RSO	\$373	-	1	21	-	84	60	38	128	40
RST	\$65	45	7	2	-	0	1	-	4	6
Club	\$ 943	0	20	139	-	346	56	-	111	272
Recreation	\$24	11	0	0	-	5	0	2	4	2
Disability	\$8	4	0	1	-	0	1	0	1	1
Olympic	\$17	3	-	-	-	4	6	-	4	0
Fitness industry	\$417	-	-	-	-	417	-	-	-	-
Education	\$1	1	0	-	-	0	0	-	0	-
Sport franchise	\$13	-	-	-	-	3	8	-	-	3
Events & other recreational activities	\$352	5	-	-	-	348	0	-	-	-
General public	\$1,225	197	1,028	-	-	-	-	-	-	-
<b>Total</b>	<b>\$4,013</b>	<b>\$380</b>	<b>\$1,056</b>	<b>\$166</b>	<b>\$13</b>	<b>\$1,262</b>	<b>\$ 392</b>	<b>\$53</b>	<b>\$333</b>	<b>358</b>
<b>Intra sector income</b>	<b>\$146</b>							<b>\$53</b>	<b>\$93</b>	
<b>Total</b>	<b>\$3,867</b>	<b>\$380</b>	<b>\$ 1,056</b>	<b>\$166</b>	<b>\$13</b>	<b>\$ 1,262</b>	<b>\$392</b>	<b>\$ -</b>	<b>\$240</b>	<b>\$358</b>

Note: There may be small variances in totals due to rounding.

Source: NZIER

The diverse range of funding sources for the sector and how they flow to different recipients is illustrated below.

**Figure 2 Funding flows in the New Zealand play, sport and active recreation sector 2022**



Source: NZIER

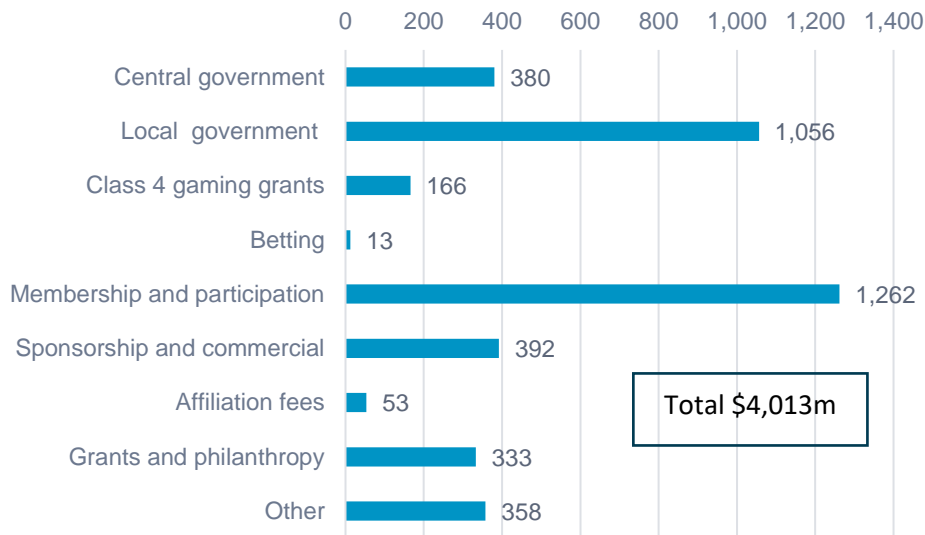
## 2.1 Funding sources of the sector

As shown in the chart below, the largest source of revenue into the sector comes from membership and participation, followed by local government. For the purposes of this report we have not attributed a value to volunteering which provides significant resources to the sector.



**Figure 3 Estimated funding of the New Zealand play, active recreation and sports sector by source 2022**

\$ millions



Source: NZIER

Set out below are details on each of these funding sources.

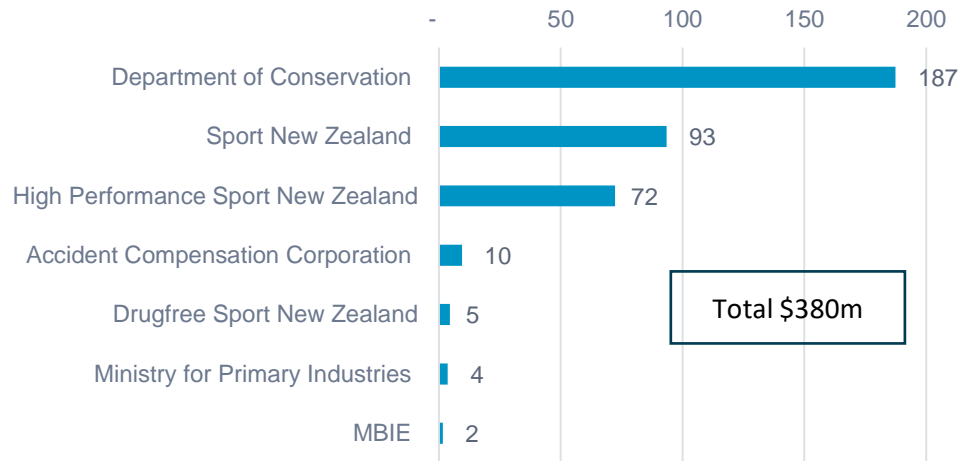
### 2.1.1 Central government funding

As shown in Figure 4 below, the Department of Conservation is the biggest central government funder of the sector. This represents their expenditure on what is termed “management of recreational opportunities” and includes the upkeep of walking tracks, conservation areas and huts. The next largest funder of the sector in New Zealand is the Sport New Zealand group, which disbursed \$93 million to organisations in the sector according to Sport New Zealand’s financial system in 2022. In 2021, Sport New Zealand disbursed \$184 million as a result of COVID-19-related funding to the sector.

It should also be noted that all Sport New Zealand funding to the sector has been shown as being central government funding despite \$74 million coming from the profits of Lotto in 2022.

**Figure 4 Estimated central government funding to the sector by public sector agency**

\$ millions



Source: NZIER

Data limitations mean that central government funding of the sector is larger than what we have been able to estimate. Firstly, as identified above, significant funding for sport and recreation comes through the education system. However, as noted above, the funding of expenditure, such as physical education teacher salaries and the provision of recreational facilities within schools, is not separated from the funding of teacher salaries and operating grants that schools receive, so it cannot be accurately estimated. Secondly, we relied on publicly available appropriations and annual report data to identify expenditure tagged as being on sport and recreation by Government agencies. There is likely other expenditure that funds elements of sport and recreation that is contained within more overarching appropriations that we could not identify. For example, Waka Kotahi funding for cycle lanes also have an active recreation use as well as an active transport function. Similarly, while we know funding from health budgets contributes to physical activity (i.e. initiatives such as Green Prescriptions, Healthy Families, etc.), it has not been possible to separate this funding from the wider health budget.

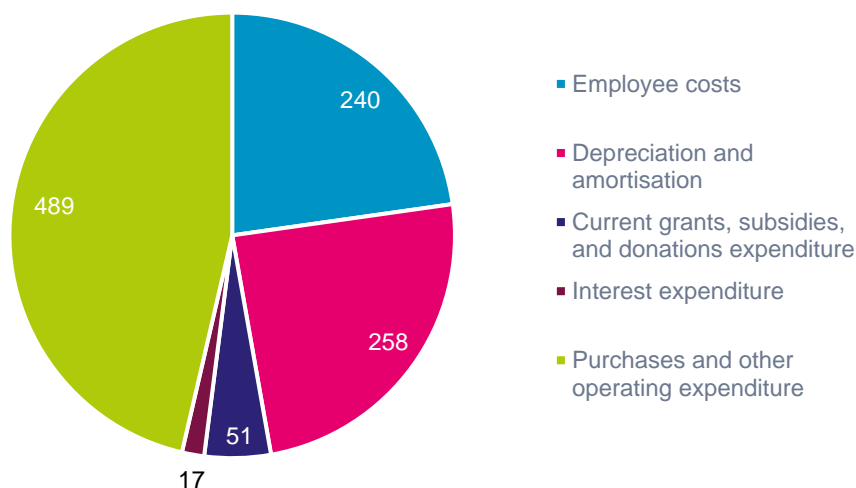
### 2.1.2 Local government funding

The expenditure of local government entities on play, active recreation and sports makes them the second largest contributor of funding to the sector. The bulk of this expenditure is through providing recreation facilities and parks to ratepayers. Figure 5 below shows the breakdown of this expenditure in 2022.



**Figure 5 Local government expenditure on sport and recreation 2022**

\$ millions



Source: Stats NZ

Of the \$51 million that is provided in donations and grants, we have identified \$28 million going to organisations within the sector, the bulk of which goes to clubs (\$19 million).

### 2.1.3 Class 4 gaming

In 2022, Class 4 gaming trust distributions to the sector totalled \$166 million. We estimate that \$139 million, or 84% of this amount, went to clubs, with a further \$21 million or 13% going to RSOs, indicating the importance of this form of funding to ‘grassroots’ organisations.

### 2.1.4 TAB betting distributions

In 2022, the TAB distributed \$13 million to NSOs from its sports betting revenues. Although not large in the context of sector or even NSO revenue (estimated at \$578 million), for some NSOs, such as Basketball New Zealand and Tennis New Zealand, it does represent a significant proportion of their total revenue.

### 2.1.5 Membership and participation

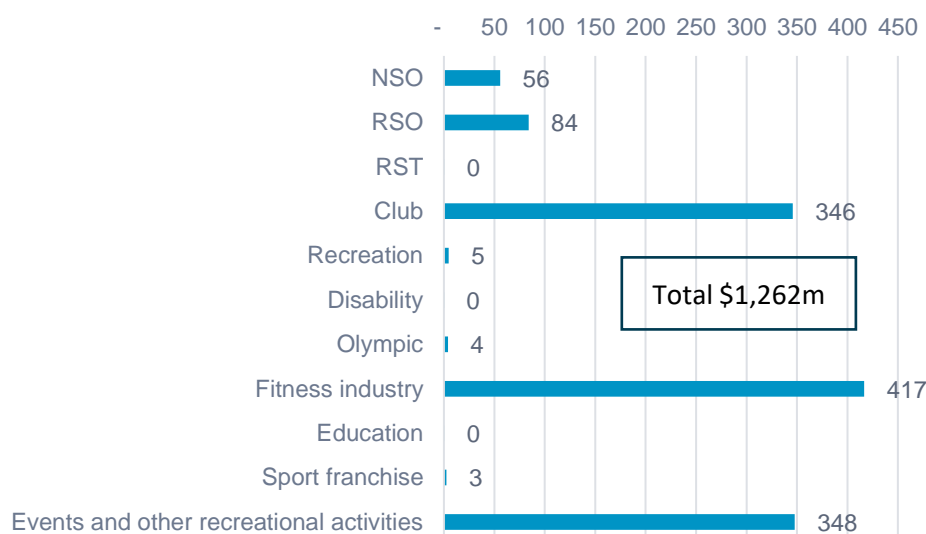
Revenue from membership and participation is the biggest funding source for the sector, with an estimated \$1.26 billion of revenue received by the sector from these sources. As shown below in Figure 8, close to 90% of this revenue goes to clubs, the fitness industry or is spent on events and other services.

For clubs, membership and participation is the biggest single revenue source. However, over twice as much is spent by people on “pay to play” providers such as events, other recreation services and the fitness industry.



**Figure 6 Distribution of membership and participation revenue by recipient organisations 2022**

\$ millions



Source: NZIER

### 2.1.6 Sponsorship and commercial

Sponsorship and commercial revenue accounts for approximately 10% of all revenue to the sector, but approximately two-thirds is captured by NSOs. Even within the NSO sector, there is considerable disparity. New Zealand Rugby earns more than half the sponsorship and commercial revenue of all estimated 100 NSOs, and New Zealand Rugby, New Zealand Cricket and New Zealand Netball account for over three-quarters of all sponsorship and commercial revenue received by NSOs.

RSOs and clubs are estimated to earn sponsorship and commercial revenue of \$60 million and \$55 million, respectively.

### 2.1.7 Grants

There is a wide range of grant-making organisations providing funding to the sector. Of the \$333 million of estimated grants to the sector, we estimate that \$93 million comes from other sector organisations (grants from NSOs to RSOs, RSOs to clubs or RSTs to other sector organisations). This leaves a net \$240 million of funding into the sector from grants. Of this, we estimate that \$78 million comes from international bodies to NSOs. The remaining \$162 million comes from various organisations such as charitable trusts and philanthropy. We have estimated this figure from our analysis of the financial statements of recipient organisations, where it is aggregated as grant income, so we cannot determine the sources of these grants. Work undertaken by JBWere for Sport New Zealand estimates only a relatively small proportion of this (approx. \$15 million) is from philanthropy.

### 2.1.8 Other revenue sources

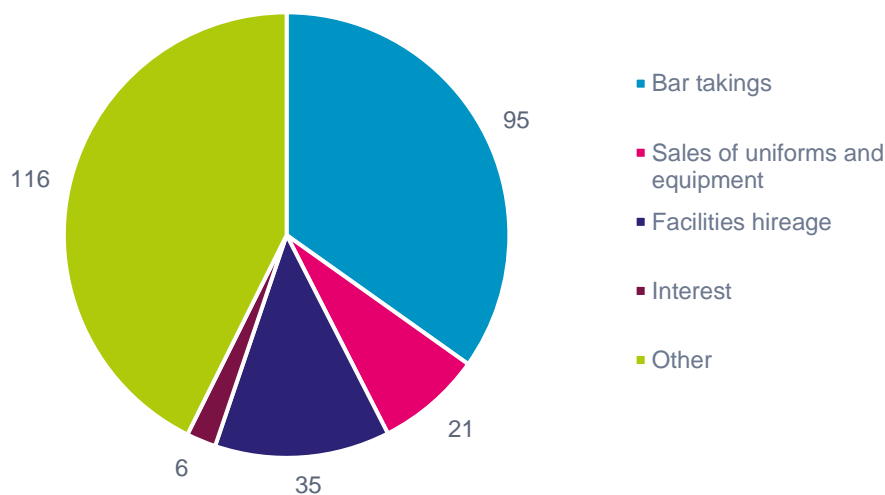
We estimate that there is a further \$357 million of revenue from sources not classified elsewhere. The majority of this (\$272 million) is earned by clubs. As shown in Figure 9



below, large sources of miscellaneous revenue for clubs include bar takings, sales of uniforms and equipment and facility hireage.

**Figure 7 Miscellaneous revenue earned by clubs 2022**

\$ millions



Source: NZIER

An important caveat on this information is that we do not know the surplus, if any, that clubs earn from this revenue as we do not know what clubs spend on the items they resell. In many cases, the surplus is likely to be small and may even be breakeven or loss-making. It is also revenue that is, to a large extent, driven by members. Therefore, any decrease in membership can reduce both membership revenue and the ancillary revenue earned from members.

A further \$34 million and \$39 million of miscellaneous revenue is earned by NSOs and RSOs, respectively. While some of the categories of miscellaneous revenue earned by clubs will also be reported by RSOs and NSOs, such as facility hireage and bar takings, there is a wide range of other types of miscellaneous revenue ranging from interest and dividends to coaching courses to sales of software.

It is also likely that some revenue in this category relates to COVID-19 subsidies received by organisations to compensate for lost revenue in membership or commercial offerings and, therefore, represents a small reclassification.

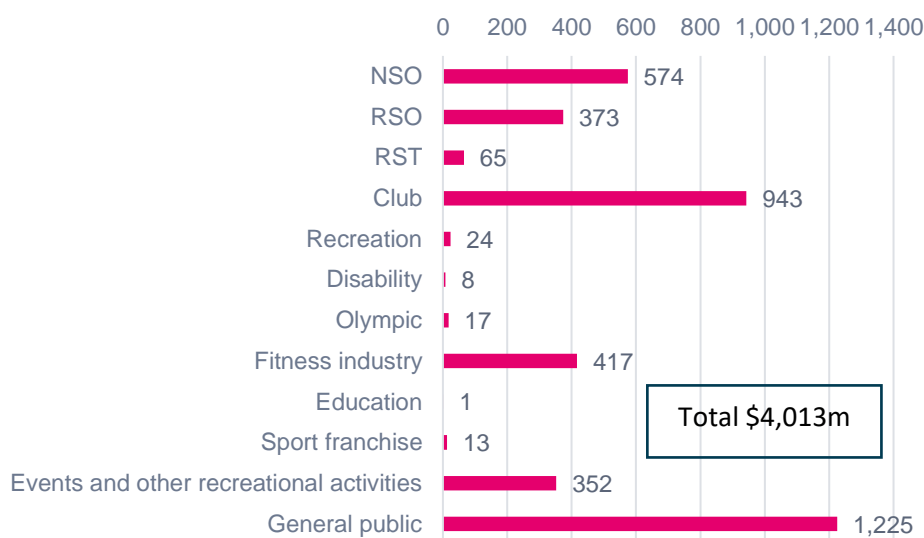
## 2.2 Funding recipients within the sector

Of the \$4 billion received within the sector, \$1,225k is estimated to be spent on services and facilities for the benefit of the general public of New Zealand rather than funding other organisations. Figure 10 below sets out how the remaining \$2.8 billion of revenue within the sector is distributed amongst different organisation types.



**Figure 8 Distribution of funding to recipients 2022**

\$ millions



Source: NZIER

Set out below are details on the funding received by these recipient organisations.

### 2.2.1 National Sporting Organisations

NSOs are a diverse group of organisations with significant variation in size, revenue sources, structural arrangements with RSOs and clubs and focus (either high performance, community sport or a combination of both).

As shown in Figure 11 below, sponsorship and commercial revenue is the largest source of revenue for NSOs. However, as mentioned above, this is unequally distributed amongst NSOs, with three NSOs accounting for three-quarters of all sponsorship and commercial revenues earned by NSOs.

Central government is also a large contributor to the revenues of NSOs, especially those NSOs that receive funding from High Performance Sport New Zealand.

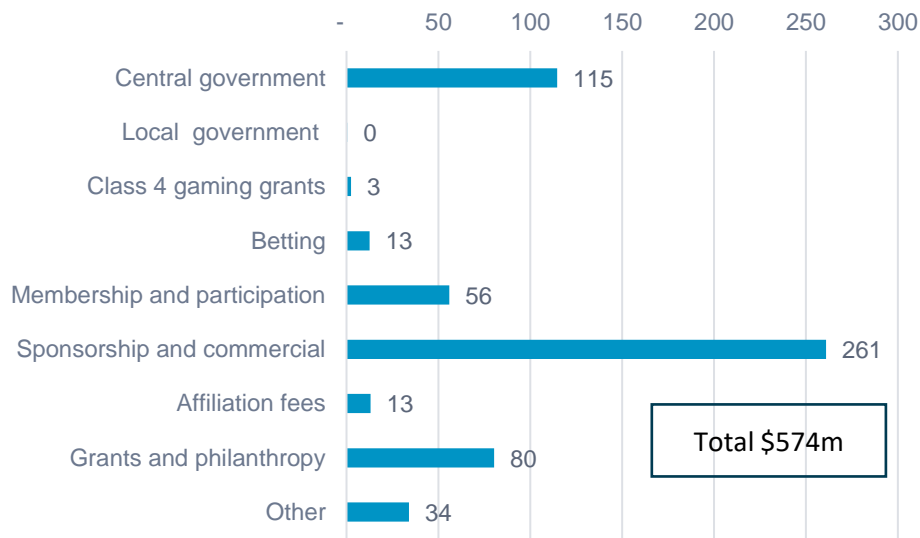
Depending on the nature of their structural arrangements with their governing body and RSOs and clubs within their sport, grants from international governing bodies (estimated at \$78 million) and membership and participation (such as matchday income) can be significant contributors to revenue.

A relatively small proportion of NSO revenues comes from affiliation fees from RSOs (just \$13 million or 2%). This amount is dwarfed by the grants that flow from NSOs to RSOs (\$71 million).



**Figure 9 Sources of funding for NSOs 2022**

\$ millions



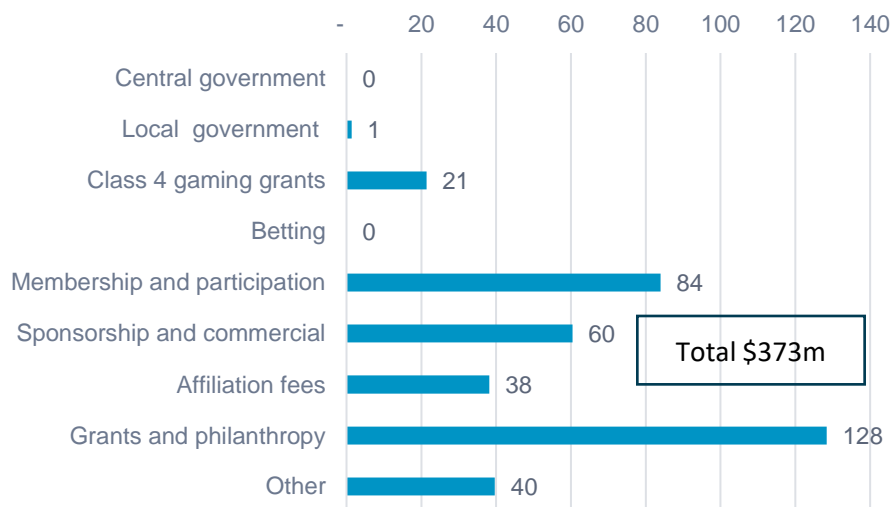
Source: NZIER

### 2.2.2 Regional Sporting Organisations

As a group, RSOs have some of the most diversified revenue bases of any of the organisation types analysed in this study. As shown in Figure 12 below, no single revenue source accounts for more than 23% of total RSO revenue. As well as earning over \$100 million from other organisations in the sector through either grants from governing bodies or affiliation fees from clubs, RSOs also earn significant sums from membership and participation, sponsorship and commercial grants.

**Figure 10 Sources of funding for RSOs 2022**

\$ millions



Source: NZIER



Given the diversity of RSOs, it is likely that within each sport, RSOs will have more concentrated revenue sources.

The diversity of RSOs also means what they spend their funding on varies considerably. Using RSOs from larger sports as an example, some have high salary costs (up to 71% of their total expenditure), whereas others have high non-salary operating costs (up to 67%).

With the exception of rugby league and tennis, they have relatively little depreciation, indicating a low investment in fixed assets such as facilities.

**Figure 11 Breakdown of operating expenditure for RSOs in selected sports 2022**

\$ millions



Source: NZIER

### 2.2.3 Clubs

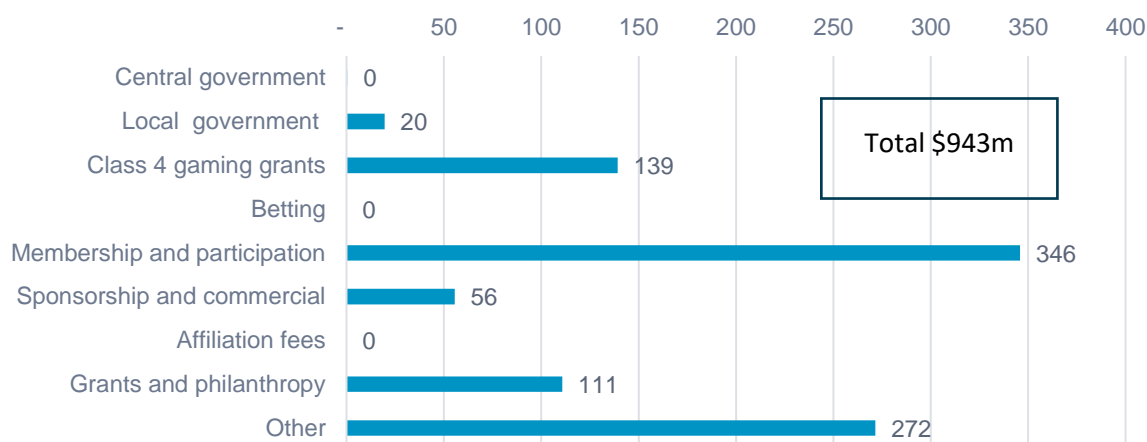
Collectively, clubs have the largest revenues of any group of organisations at \$942 million. As shown in Figure 14 below, the largest single revenue source for clubs comes from membership and participation at \$346 million or over a third of all club revenue. Reliance on members is, however, greater than this as a further \$272 million is earned from miscellaneous revenue sources, much of which will also come from members and participants. It should also be noted that we have not attempted to estimate the cost of volunteer labour, which, in effect, represents a revenue source for clubs and relies on membership.

Clubs are also the primary recipients of Class 4 grants in the sector, receiving \$139 million in grants in 2022.



**Figure 12 Sources of funding for clubs 2022**

\$ millions



Source: NZIER

#### 2.2.4 Fitness industry, events and other recreational activities

Outside of organised sport and recreation clubs, there is a significant spend by New Zealanders on commercial fitness clubs, events and other recreational services. We estimate that \$769 million is spent on these services. This is more than twice as much as what members and participants spend on sport and recreation clubs annually.

#### 2.2.5 Regional Sports Trusts

We estimate that RSTs received \$65 million in 2022. The bulk of this is funding from Sport New Zealand, but RSTs also receive smaller sums of revenue from other sources such as Te Whatu Ora, local government and grants from Class 4 gaming trusts and other sources.

#### 2.2.6 Recreation organisations

As outlined above, we have defined recreation organisations as those organisations that oversee and provide active recreation activities at a national or regional level. We estimate that these organisations have revenues of \$24 million, close to half of which is provided by central government. Active recreation activities, if they are organised locally (for example, tramping clubs), would be included in clubs. Therefore, the amount shown as revenue for recreation organisations does not represent the total funding that goes into the active recreation sub-sector.

#### 2.2.7 Disability organisations

Similar to recreation organisations, we have defined disability organisations as those organisations that oversee and provide sport and recreation services for the disabled community at a national or regional level. We estimate these organisations have revenues of \$7 million, of which over half comes from central government.



**2.2.8 Olympic organisations and sports franchises**

As would be expected from high performance sports organisations, the New Zealand Olympic Committee and sports franchises have similar sources of revenue. \$20 million from their estimated combined revenues of \$30 million are earned from sponsorship, commercial, membership and commercial sources. In addition, the New Zealand Olympic Committee receives central government and philanthropic revenues.

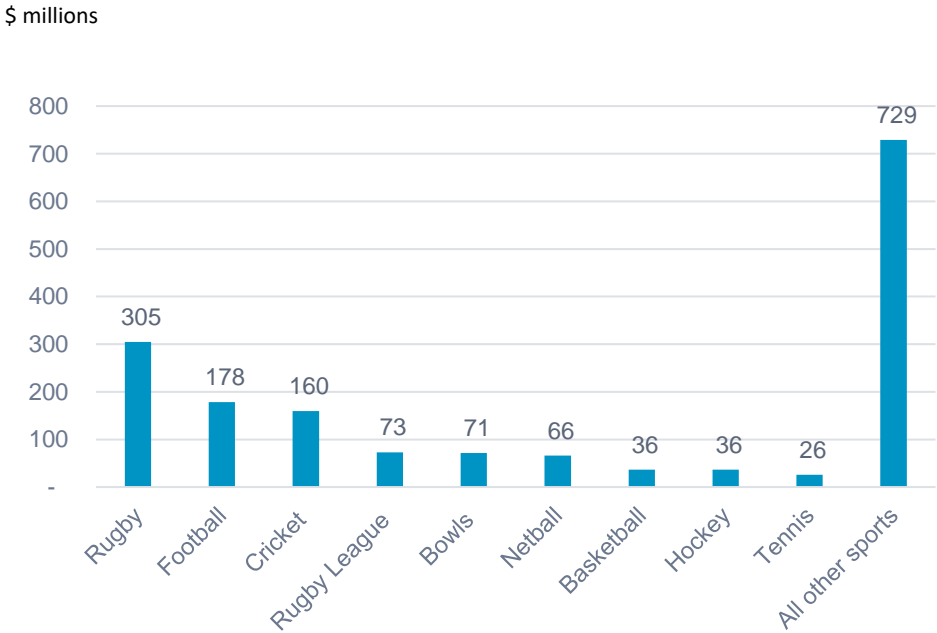
**3 Funding of organised sport in New Zealand**

Analysing the funding of NSOs, RSOs and clubs in New Zealand provides some insight into the funding of organised sport in New Zealand. In 2021 (the year in which we have the best data to make the calculation), we estimate that organised sport received funding of \$1,681 million, excluding revenue streams between NSOs, RSOs and clubs. This was equal to 43% of all funding going into the sector in that year.

Sport New Zealand estimates that there are approximately 100 NSOs in New Zealand, which we can use as a proxy for the number of different types of organised sports. Of these 100 sports, three (rugby, football and cricket) received 38% of the total funding, and nine (rugby, football, cricket, rugby league, bowls, netball, basketball, hockey and tennis) received 57%. Unfortunately, we do not have data that allows us to understand if this concentration of funding has changed over time.

It should also be noted that these figures do not include the spend by local government on the maintenance of facilities, such as football fields and tennis courts, that also benefit organised sport (although for which they may make a payment to councils).

**Figure 13 Estimated funding of organised sport 2021**



Source: NZIER

## 4 Changes in overall funding over time

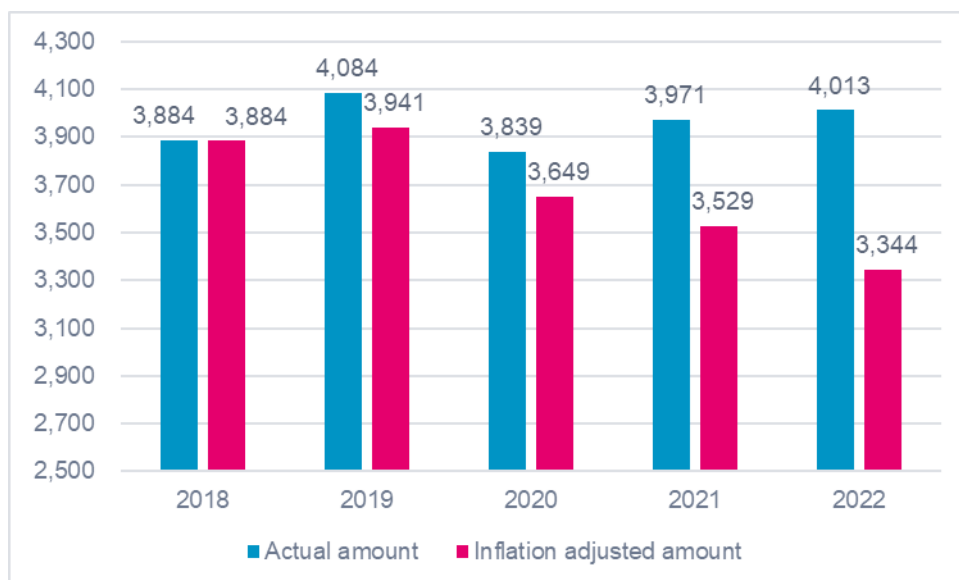
We have also analysed revenue for the identified sources and recipient organisations each year from 2018 to 2022. Between 2018 and 2022, we estimate that funding to the sector, including funding between organisations within the sector, has been relatively stagnant, growing by just \$129 million (or 3.3%).

2018 was chosen as a starting point for this analysis as it predated the COVID-19 pandemic, which was a significant disruption to funding to the sector. We estimate that from 2019 to 2020, the sector lost approximately \$250 million of revenue. Total revenue to the sector in 2022 is still less than in 2019, even in nominal terms. This was primarily driven by membership and participation revenue decreases as subscriptions were reduced and refunded and events not held. Similarly, sponsorship and commercial revenue decreased as events were cancelled or postponed.

When inflation is considered over the period 2018 to 2022, funding to the sector has shrunk significantly. As shown in Figure 16 below, funding into the sector is over \$540 million (or 14%) less in 2022 than in 2018 (or \$570 million excluding funding between organisations in the sector). Although there was a large decrease between 2019 and 2020 due to COVID-19, high levels of inflation post-COVID-19 have caused year-on-year declines in real revenues for every year following.

**Figure 14 Total funding to the sector from 2018 to 2022, including funding between organisations**

\$ millions



Source: NZIER

Set out below in Tables 2 and 3 are the changes in funding by source and recipient between 2018 and 2022 in nominal terms and in real (i.e. inflation-adjusted) terms for the same period.





**Table 2 Change in funding for the play, active recreation and sports sector for the period 2018 to 2022**

\$ millions

Recipient	Total	Funding source								
		Central government	Local government	Class 4 gaming grants	Betting	Membership & participation	Sponsorship & commercial	Affiliation fees	Grants & philanthropy	Other
NSO	(\$44)	1	0	2	-1	-59	-18	13	42	-24
RSO	(\$65)	0	1	8	0	-73	-21	8	3	10
RST	\$8	26	7	2	0	-5	0	0	-19	-2
Club	\$4	0	0	4	0	8	-19	0	3	7
Recreation	\$10	9	0	0	0	1	-3	2	0	1
Disability	(\$7)	4	0	0	0	0	-2	0	-4	-6
Olympic	\$5	2	0	0	0	0	1	0	3	0
Fitness industry	\$20	0	0	0	0	20	0	0	0	0
Education	\$1	1	0	0	0	0	0	0	0	0
Sport franchise	\$13	0	0	0	0	3	8	0	0	3
Sports event	\$33	0	0	0	0	34	0	0	0	0
General public	\$150	34	116	0	0	0	0	0	0	0
<b>Total</b>	<b>\$129</b>	<b>\$75</b>	<b>\$125</b>	<b>\$16</b>	<b>(\$1)</b>	<b>(\$70)</b>	<b>(\$54)</b>	<b>\$22</b>	<b>\$28</b>	<b>(\$12)</b>
Intra sector income	\$54							\$22	\$31	
<b>Total</b>	<b>\$75</b>	<b>\$75</b>	<b>\$125</b>	<b>\$16</b>	<b>(\$1)</b>	<b>(\$70)</b>	<b>(\$54)</b>	<b>\$0</b>	<b>(\$3)</b>	<b>(\$12)</b>

Note: There may be small variances in totals due to rounding.

Source: NZIER



**Table 3 Funding for the play, active recreation and sports sector for the period 2018 to 2022 expressed in equivalent 2018 dollar values**

\$ millions

Recipient type	Total	Funding source								
		Central government	Local government	Class 4 gaming grants	Betting	Membership and participation	Sponsorship & commercial	Affiliation fees	Grants & philanthropy	Other
NSO	(\$140)	(18)	0	1	(3)	(68)	(\$61)	11	28	(30)
RSO	(\$127)	0	0	4	0	(87)	(\$31)	1	(18)	3
RST	(\$2)	18	6	1	0	(5)	(\$1)	0	(19)	(3)
Club	(\$153)	0	(3)	(19)	0	(49)	(\$28)	0	(16)	(39)
Recreation	\$6	7	\$0	\$0	0	0	(\$3)	1	(1)	1
Disability	(\$9)	3	\$0	\$0	0	(0)	(\$2)	0	(4)	(6)
Olympic	\$2	1	\$0	(0)	0	(1)	\$0	0	2	(0)
Fitness industry	(\$50)	0	\$0	0	0	(50)	\$0	0	0	0
Education	\$1	1	\$0	0	0	0	\$0	0	0	0
Sport franchise	\$11	0	\$0	0	0	\$2	\$6	0	0	3
Sports event	(\$25)	(1)	\$0	0	0	(24)	\$0	0	0	0
General public	(\$54)	1	(55)	0	0	\$0	\$0	0	0	0
<b>Total</b>	<b>(\$540)</b>	<b>12</b>	<b>(51)</b>	<b>(12)</b>	<b>(3)</b>	<b>(281)</b>	<b>(119)</b>	<b>14</b>	<b>(28)</b>	<b>(72)</b>
<b>Intra sector income</b>	<b>\$29</b>							<b>\$14</b>	<b>\$16</b>	
<b>Total</b>	<b>(\$570)</b>	<b>\$12</b>	<b>(\$51)</b>	<b>(\$12)</b>	<b>(\$3)</b>	<b>(\$281)</b>	<b>(\$119)</b>	<b>\$0</b>	<b>(\$43)</b>	<b>(\$72)</b>

Note: There may be small variances in totals due to rounding

Source: NZIER



### 4.1 Changes in funding sources over time

As noted above, we estimate that funding to the sector, excluding funding between organisations within the sector, has essentially been stagnant, growing by just \$66m (or 1.7%).

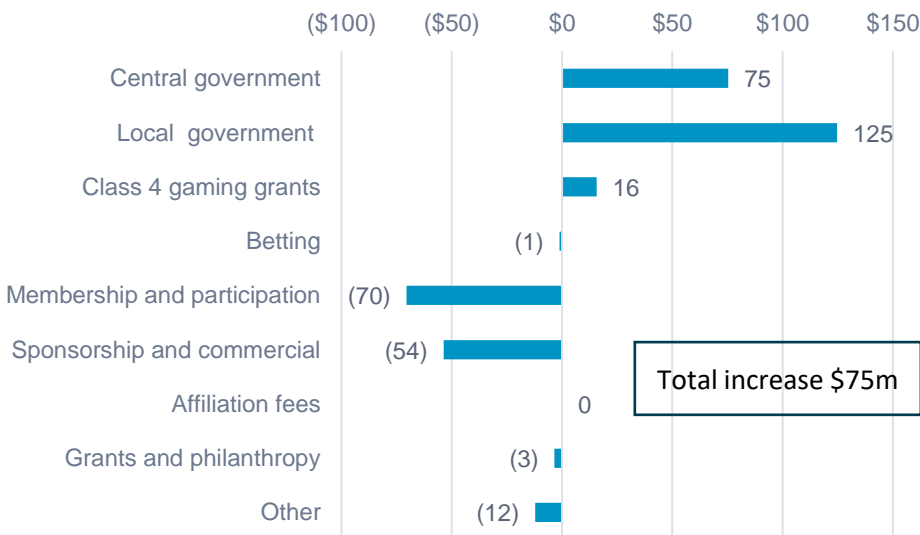
The overall change also hides a concerning trend in where funding comes from. As Figure 17 below shows, over that period, there has been growth in revenue from central and local government and the proceeds from gambling. This has been offset by decreases in funding from membership, participation, sponsorship and commercial sources. In short, the sector has become more reliant on government funding and funding from gambling to offset decreases in the revenue it generates itself. This increased reliance on central and local government funding also increases risk as both central and local government budgets come under pressure.

It should also be noted that the increase in central government funding between 2018 and 2022 is partly due to extra funding provided by central government as part of COVID-19 relief packages. For example, \$23m provided by Sport New Zealand to the sector in 2022 was time-limited COVID-19 funding. The majority of this COVID-19-related funding will not continue.

The decrease in membership and participation is primarily felt in NSOs and RSOs, with clubs, fitness industry and events all seeing increases in membership and participation. This indicates that the biggest decreases are being driven by matchday income and income the NSOs and RSOs derive from events.

**Figure 15 Total funding to the sector from 2018 to 2022, excluding funding between organisations**

\$ millions; not adjusted for inflation



Source: NZIER

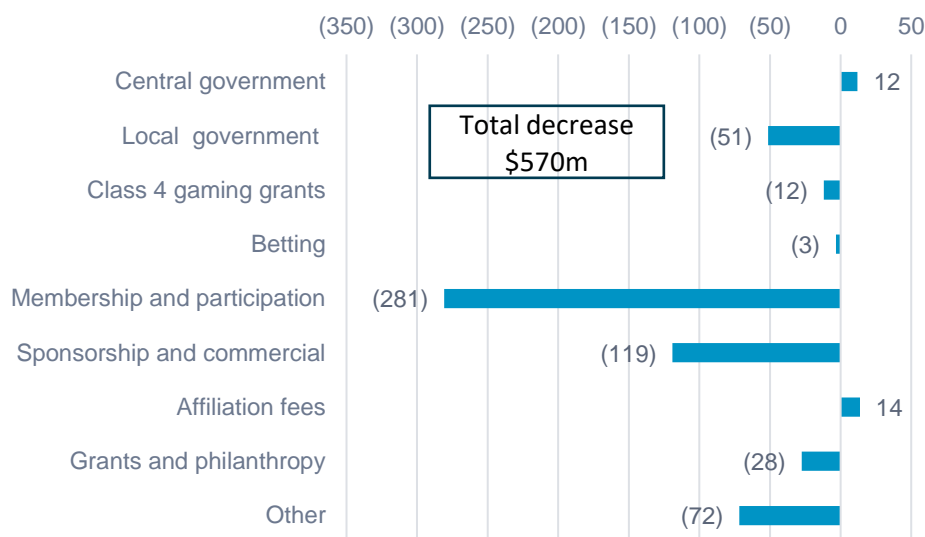
Although we do not have full equivalent information for earlier periods, we can estimate funding received by the sector in 2014 from some funding sources. The trend towards

greater government funding and funding from gambling sources started at least as far back as 2014. Between 2014 and 2018, funding from central government, local government and Class 4 gaming increased by \$39 million, \$122 million and \$44 million, respectively.

The picture is even more concerning when looking at the change in funding between 2018 and 2022 after adjusting for the effects of inflation. Every source of funding has failed to keep pace with inflation, except for central government funding and affiliation fees. As noted above, some of this increase in central government funding is COVID-19-related and not expected to continue. Even local government funding has decreased in real terms over this period, while membership, participation, sponsorship and commercial revenue has decreased by over 20% in real terms in this period.

**Figure 16 Changes in funding sources 2018 to 2022**

\$ millions; inflation-adjusted



Source: NZIER

## 4.2 Changes in funding received by organisation types over time

As expected, given the decrease in revenue from membership, participation, sponsorship and commercial since 2018, the NSOs and RSOs have shown the biggest decrease in revenues between 2018 to 2022, with combined revenues decreasing by over \$100m in nominal terms. By contrast, club revenues have stayed essentially flat over the period, with just a \$4 million increase. There has been some increase in membership revenues and the revenue associated with members in the miscellaneous category, which has offset a decrease in sponsorship and commercial revenue.

Some of the decrease in sponsorship and commercial revenue for both RSOs and clubs has been offset by increases from Class 4 gaming grants, with these organisations being the biggest beneficiaries of the growth in Class 4 gaming grants as a revenue source over this period.

Another trend is that membership and participation revenue for the fitness industry, events and other recreation services has grown over the period. This would appear to reflect a trend from organised sport to “pay to play” activities. This trend has been happening as



least as far back as 2013, with funding from participation in events and other recreational services increasing by \$75 million or 30% between 2013 and 2018. In 2013, the total participation revenues for “pay to play” providers was approximately 1.7 times the amount collected by clubs in membership and participation revenue. By 2022, that ratio had increased to 2.1 times. It should be noted, however, that the fitness industry has membership revenues in 2022 of a roughly similar size to what it had in 2014, without adjusting for inflation, despite the growth from 2018 to 2022. This may represent competition in this industry, reducing membership fees rather than a decrease in membership of fitness clubs over this period.

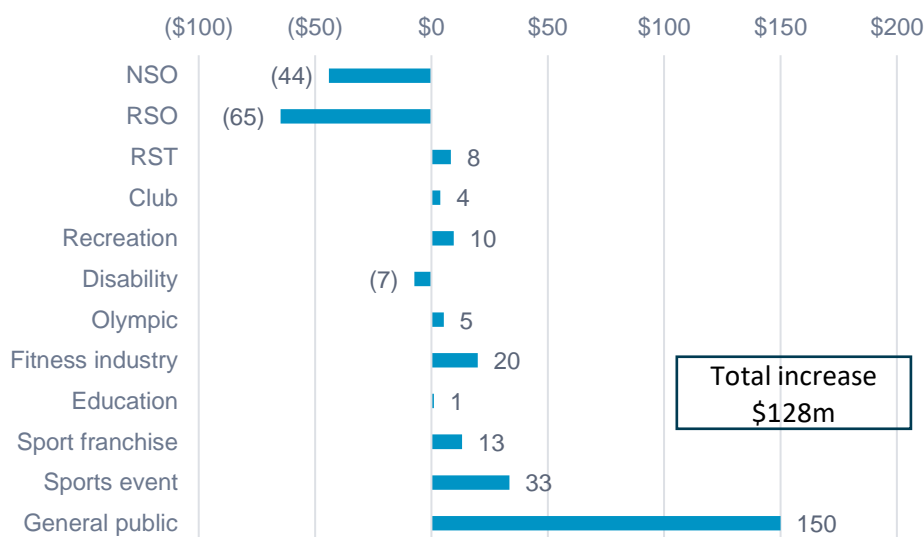
RSTs have been the organisations that have been the biggest beneficiaries of the increase in central government funding, reflecting increased programmes and the extra funding to the sector by central government as part of the COVID-19 recovery. This has more than offset a decrease in grants from other organisations.

Despite an increase in central government funding, revenue for disability organisations has decreased between 2018 and 2022 due to decreases in grants from non-government organisations and philanthropy.

Despite these organisation types receiving more central and local government funding, New Zealanders have received the biggest share of the increased government funding. Approximately \$150 million of the \$200 million of increased government funding has been received by the general public. Mostly, this has been spent by local government on the cost of providing facilities and services.

**Figure 17 Changes in funding recipients 2018 to 2022**

\$ millions; not inflation-adjusted



Source: NZIER

When we factor in the impact of inflation, the squeeze on revenues at all levels of the organised sporting structure becomes even more apparent. As noted above, membership, participation, sponsorship and commercial revenue have decreased by over 20% in real terms between 2018 and 2022. Miscellaneous revenues have decreased by just under 20%

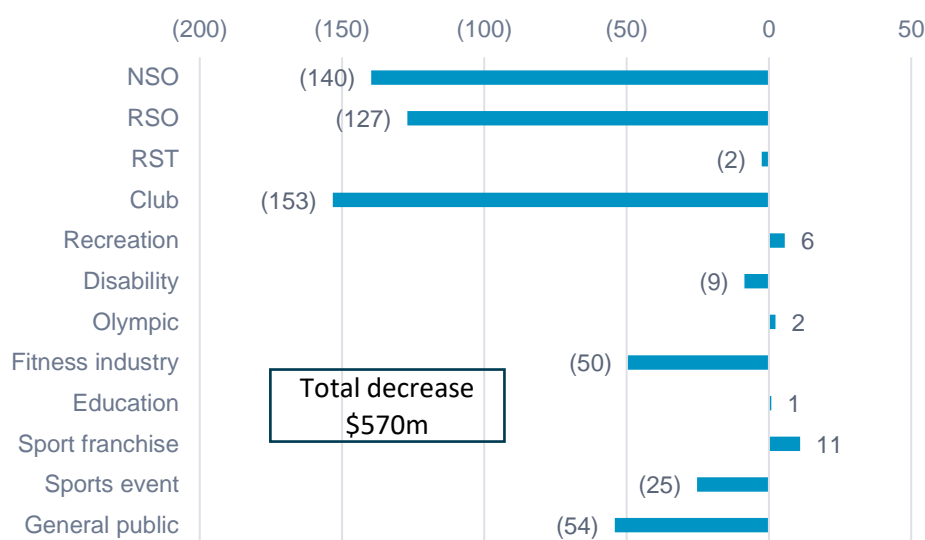


in this period. These are all revenue sources that NSOs, RSOs and clubs rely on. Therefore, not only are NSOs and RSOs facing reduced revenue in nominal terms, in real terms the impact is even worse while clubs are also facing cuts to their funding in real terms.

As NSOs and RSOs respond to this decrease in funding both in real and nominal terms, it is interesting to note that affiliation fees, i.e. the fees paid by organisations to the organisation above them in the sporting organisation pyramid, have actually increased in real terms.

**Figure 18 Changes in funding recipients 2018 to 2022**

\$ millions; inflation-adjusted



Source: NZIER

## 5 Sources of data and methodology

### 5.1 Data sources

The sector is large and fragmented, which provides a challenge in accurately quantifying the size of its funding. To overcome this, we have used a variety of publicly available and proprietary data sources and triangulated them where possible to improve the accuracy of our estimates.

The method undertaken by NZIER to most accurately capture how sport and recreation are funded in New Zealand was to combine a top-down and bottom-up approach in which we investigated where the funds come from and how they are used. The main datasets employed in this research are as follows:

#### Review of publicly available financial reports:

As many sports organisations are incorporated societies, they are required to file annual financial statements, and copies of these are available through the Incorporated Societies Register. We used this source to access data on NSOs, RSOs, the New Zealand Olympic



Committee and other regional or national-level organisations. We also used this source to check some of the data we held for clubs.

#### **Survey of sporting organisations**

In 2022, NZIER surveyed sporting organisations to capture information on their revenue sources, including sponsorship information and, in particular, alcohol sponsorship. This survey was sent out by partner organisations of Sport New Zealand. Responses predominantly came from smaller NSOs, RSOs and clubs.

#### **Financial information captured to support the COVID-19 relief effort**

Organisations that experienced revenue losses as a consequence of the COVID-19 restrictions were able to apply for government grants to receive financial support. A condition of applying for these grants was that recipients were required to provide financial statements. A sample of these responses was analysed and anonymised to provide detailed data on the revenue sources of clubs and included in the broader dataset.

#### **Sport New Zealand data**

Sport New Zealand provided two datasets. The first was a review of their partner organisations' publicly available financial statements provided by their Business Capability team. The second was information on funding provided by the Sport New Zealand group sourced from their financial system. This provided information on NSOs, RSTs, Disability organisations, Recreational organisations and Olympic organisations.

#### **Other publicly available and proprietary information**

We also used data held by Stats NZ and other central government agencies, together with data published by commercial and sector organisations that were relevant to this project.

## **5.2 Usage of data to estimate funding from different sources**

#### **Central government:**

Central government's funding to the sector in New Zealand was identified through the annually released budget appropriations and the annual reports of Crown agencies. This was supplemented with data held in Sport New Zealand's Kahiwi system showing the funding from Sport New Zealand to different organisations in the sector.<sup>2</sup>

#### **Local government:**

Stats NZ publishes the expenditure and income of local councils in respect of sport and recreation through the Local Authority Financial Statistics dataset. This breaks down the total amount of funding into the various income and expenditure streams for each local authority.<sup>3</sup>

#### **Class 4 gaming:**

The Department of Internal Affairs monitors and reports on the sources and benefactors of all grants from Class 4 gaming trusts for the years 2021 and 2022. The figures for Class 4 grants from 2018 to 2020 came from a series of reports from KPMG that report total funding amounts. To break down these amounts and identify the type of organisations they were disbursed to, we used information captured from the financial statements of

<sup>2</sup> <http://www.treasury.govt.nz/publications/data/budget-2023-data-estimates-appropriations-2023-24>

<sup>3</sup> <https://infoshare.stats.govt.nz/SelectVariables.aspx?pxID=2cb2482b-5bb2-4db5-a3b6-1caea319bb3>



organisations such as clubs, RSOs and NSOs to estimate proportions received by each organisation type in each year.

**Betting:**

Revenue paid to NSOs from TAB New Zealand based on the value of bets they take on each sport has been gathered from the annual reports of the TAB.

**Membership and participation:**

Membership and participation data was estimated from a combination of top-down and bottom-up analysis. The survey data, publicly available financial reports, COVID-19 relief data, Sport New Zealand data and a market study on the New Zealand fitness industry were used to capture funding by organisation type. We also utilised Household Expenditure Survey (HES) data reported by Stats NZ for the year ended June 2019, adjusted for inflation to provide total expenditure across all households on recreational and sporting services, which provided a “top-down” perspective.<sup>4</sup>

**Sponsorship and commercial:**

Data on revenue received from sponsorship and commercial sources was captured through the review of publicly available financial statements of different organisations in the sector, survey data, COVID-19 relief data and data provided by Sport New Zealand from its Business Capability team’s review of financial statements of partner organisations.

**Other grants and philanthropy:**

Data on funding from these sources came from a combination of survey data, reviews of publicly available financial reports, COVID-19 relief data and Sport New Zealand data. We also used reports JBWere produces on philanthropy and donations made in New Zealand.

**Other:**

Data on the miscellaneous funding sources we classified as “Other” came from a combination of the survey data, review of publicly available financial reports, COVID-19 relief data and Sport New Zealand data.

### 5.3 Recipients of funding

The total dataset is built from data we captured through survey data, review of publicly available financial reports, COVID-19 relief data and Sport New Zealand data on a sample of the total sector organisations in New Zealand. According to Sport New Zealand, there are approximately 100 NSOs, 900 RSOs, 14 RSTs and 7,500 clubs throughout New Zealand. We, therefore, applied a scaling process to extrapolate the results from this sample to the total estimated population of each organisation type. One issue with this methodology is that for NSOs and RSOs in particular, there is considerable variation in the size of organisations and their revenues. We needed to ensure that the samples we used were as representative as possible. For example, New Zealand Rugby’s revenues are approximately three times bigger than the next largest NSO, Cricket New Zealand and approximately nine times bigger than the third biggest NSO, Netball New Zealand. So that the revenues of New Zealand Rugby and New Zealand Cricket did not skew the estimate of total NSO revenues, we used actual data from their financial statements and added these amounts to the extrapolated data for smaller NSOs.

<sup>4</sup> <https://statisticsnz.shinyapps.io/detailed-household-expenditure/>





A similar issue around scale exists at the RSO level for larger sports such as rugby, football, netball and golf. To address this, we picked a representative sample of RSOs within each sport and extrapolated these to estimate revenues for RSOs within each of these larger sports. For example, we analysed the financial statements of three of the seven football federations and extrapolated this to estimate the revenues of the seven football federations combined. The total estimate for the RSOs in these larger sports was then added to the data that we extrapolated from the combined RSOs in smaller sports to get a total estimate for RSOs.

**National Sporting Organisations:**

The NSO data was broken down into two categories: major sporting codes and others. Actual data for NSOs of major sporting codes was used without any scaling. For the remaining NSOs, we used the actual financial data of a sample of these NSOs and scaled their data up by the proportion of NSOs. These observations represented the total number of NSOs, excluding the major NSOs.

**Regional Sporting Organisations:**

For RSOs in smaller sports, we captured actual financial data from a sample of these RSOs who responded to our survey and scaled it up to represent the total number of RSOs in smaller sports based on the relative proportion of observations compared to the actual number of RSOs. To estimate the funding for RSOs of larger sports, a similar method is used, but we used the actual financial data of a sample of RSOs within each sport scaled by the number of actual RSOs for that individual sport. This offers a more accurate estimate of regional funding, given the disparity in size of RSOs.

**Clubs:**

Data for clubs came from the survey and COVID-19 relief applications. The majority of these observations are from 2021. In some cases, we checked this data against published financial statements. To estimate the figures for periods prior to 2021, we applied the annual percent change in members per club to the 2021 data and inflation. The number of members per club data is derived from the New Zealand Amateur Sporting Association's annual survey.

**Fitness Industry:**

Revenues in the fitness industry were sourced from published market size data from Ibis.<sup>5</sup>

**General public:**

Where central and local government funding cannot be applied to a specific organisation type as it is for the benefit of ratepayers or taxpayers in general, the funding is determined to be received by the general public.

**Events and other recreational activities:**

Data for events and other recreational activities comes from Stats NZ data on household expenditure and data from the Ministry of Business, Innovation & Employment on major events.

**Remaining recipients:**

Data concerning Regional Sports Trusts, recreational organisations, disability organisations and franchises is captured from a combination of survey data, publicly available financial

<sup>5</sup> <https://www.ibisworld.com/nz/market-size/gyms-fitness-centres/>



reports, COVID-19 relief data and Sport New Zealand data. These organisations were scaled, where required, using the relative proportionality method.

#### 5.4 Limitations of this data

There are some caveats on the data used in this report. Firstly, we expect that central government funding of the sector is larger than we reported. This is because there is no way of estimating the amount that the Ministry of Education spend on the maintenance of sport and recreation facilities within schools or the total amount of salaries paid to physical education teachers in New Zealand. These amounts are included within the operational grants paid to schools and teacher salaries funding and cannot be split out. It is also possible that spending that impacts the sector is also made by other government agencies but is included in spending with a wider purpose. Spending on cycle lanes is an example.

Secondly, because we have analysed a sample of financial statements for various organisations within the sector, we have had to extrapolate this information out to represent the entire sector. To do this, we have relied on estimates of the total number of organisations of each type within the sector. The biggest risk with this method is that the number of clubs that we have used – 7,500 – is over or understated, which would lead to funding to clubs being over or understated.

A related risk is that the sample of organisations we have reviewed the financial statements of are not representative of their type of organisation. We have tried to mitigate this risk by excluding organisations from the sample or cleaning data of organisations with obvious anomalies (for example, organisations that sold a major asset in a particular year). We also ensured we separated major NSOs and RSOs of major sports from the scaling process.

Finally, because the organisations have a variety of different financial year end dates, when we refer to years in this report, we are referring to the year in which the organisation's financial year finished.

