

## Proactive release of Official Information

Sport New Zealand is proactively releasing the attached information in line with its commitment to Open Government.

### Background

A request was made for the following information under the Official Information Act 1982:

*'The KPMG report commissioned by the Minister for Sport and Recreation Hon Grant Robertson, and led by Sport New Zealand, into the impacts the Covid-19 lockdown and delaying the return to sport will have on sport clubs and participation in sport.'*

*All correspondence related to the KPMG report between Hon Grant Robertson and Sport NZ.'*

The following information was provided to the requestor:

- Briefing from Sport NZ to the Minister for Sport and Recreation dated 24 April 2020, 'Covid-19 related Budget bids: Recovery Package and Water Safety';
- Briefing from Sport NZ to the Minister for Sport and Recreation dated 17 April 2020, 'Recovery Package for the play, active recreation and sport system'; and
- Extracts from Covid-19 daily and weekly emails to the Minister for Sport and Recreation regarding the KPMG report.

Information was withheld from these documents under section 9(2)(a) to protect the privacy of natural persons.

A summary of the KPMG report has already been released separately on Sport New Zealand's website and can be found [here](#).



**TO:** Minister for Sport and Recreation  
**DATE:** 24 April 2020  
**SUBJECT:** Covid-19 related Budget bids: Recovery Package and Water Safety  
**FROM:** Peter Miskimmin  
**SENSITIVITY:** In confidence

## Covid-19 related Budget bids: Recovery Package and Water Safety

### Purpose

---

1. To notify you that Sport NZ has now submitted the following two Covid-19 related Budget Bids for consideration in Budget 2020:
  - a. Seeking Funding for COVID-19 Related Costs: Recovery Package for the play, active recreation and sport system; and
  - b. Seeking Funding for COVID-19 Related Costs: Water Safety.
2. Completed templates for each bid are attached. These have now been submitted to Treasury by the Ministry of Culture and Heritage on behalf of Sport NZ.
3. We also seek your decision on whether you would like to forward a copy of this briefing and the attached templates to Minister Parker in his capacity as Associate Minister of Finance.

### Recommendation

---

4. It is recommended that you:
  - a. **Note** that Sport NZ has submitted two Covid-19 related Budget bids to the Treasury for a Recovery Package for the play, active recreation and sport system and for water safety rescue services.

**Noted**
  - b. **Note** that the Minister of Transport and Minister for the Community and Voluntary Sector have been provided with a copy of the water safety rescue services budget bid because of their previous involvement and interest in this bid.

**Noted**

- c. **Agree** that a copy of this briefing and the associated Budget templates should be forwarded to Minister Parker in his capacity as Associate Minister of Finance.

**Agree / Disagree**

Hon Grant Robertson  
**Minister for Sport and Recreation**

**CONTACT NAMES** *(for further discussion)*

Name	Role	Telephone	1 <sup>st</sup> Contact
Alice Hume	Manager Policy	section 9(2)(a)	✓
Peter Miskimmin	Chief Executive Sport NZ	section 9(2)(a)	

Proactively released under Sport NZ's commitment to Open Government

# Appendix 1: Submission Seeking Funding for COVID-19 Related Costs: Recovery Package for play, active recreation and sport system

## Funding sought

Operating funding Sought (\$m)	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears	Total
<b>Vote Sport and Recreation:</b>	4.600	145.000	63.000	32.000	20.000	264.600
<b>Total</b>	<b>4.600</b>	<b>145.000</b>	<b>63.000</b>	<b>32.000</b>	<b>20.000</b>	<b>264.600</b>

Capital funding Sought (\$m)	2019/20	2020/21	2021/22	2022/23	2023/24	
<b>Vote Sport and Recreation:</b>	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>Vote Sport and Recreation:</b>	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

## Funding sought to be reprioritised

Sport New Zealand has already reprioritised \$25 million from existing baselines through a reprioritisation of existing sector investments, 20% savings across non-fixed operating expenditure and reserves, to fund an immediate relief package for their partner organisations. For comparison, this amount is equivalent to the annual appropriation for Sport NZ of \$25.149 million. This has reduced the amount of funding required for this Recovery Package. Sport New Zealand and HPSNZ are unable to reprioritise any further funding for this Recovery Package.

## Overview of COVID-19 pandemic related funding or initiative

Key Question	Answer
<b>Title of initiative</b>	Recovery Package for the play, active recreation and sport system in response to the COVID-19 pandemic
<b>Portfolio of lead Minister</b>	Hon. Grant Robertson, Minister for Sport and Recreation
<b>Portfolio(s) of other Ministers involved</b>	N/A
<b>Impacted Votes</b>	Vote Sport and Recreation

Key Question	Answer
<p><b>What will this initiative do?</b></p>	<p>This funding will support the play, active recreation and sport system to respond to the disruption caused by the COVID-19 pandemic and associated lock down measures.</p> <p>The funding sought in this Recovery Package is to:</p> <ul style="list-style-type: none"> <li>• support physical activity, cultural vitality and high-performance outcomes that contribute to the wellbeing of all New Zealanders in the post-pandemic environment</li> <li>• replace (in part or in full) disrupted revenue streams</li> <li>• identify and support future opportunities to redefine and influence the system to provide greater opportunity to contribute to the wellbeing of Aotearoa New Zealand through play, active recreation and sport.</li> </ul> <p>The Recovery Package will have an emphasis on rebuilding community play, active recreation and sport organisations in recognition of the role these local organisations play in creating and delivering physical activity opportunities, and strengthening communities to help them recover from Covid-19.</p> <p>The Recovery Package will also focus on Olympic and Paralympic sport by covering additional costs related to the preparations of the rescheduled Olympics and Paralympics. It will also provide support to professional franchises through a performance resilience fund, to ensure bespoke solutions can be provided to help franchises recover quickly.</p> <p>A funding framework has been developed to underpin the Recovery Package and provide an overarching framework to guide the assistance provided. The funding will be used to deliver three Investment Outcomes.</p> <ul style="list-style-type: none"> <li>• <i>Reset and Rebuild</i> - Providing relief, advice and support to help the sector get back on its feet (e.g. a community resilience fund to help local and regional active recreation and sport organisations to make the changes required to operate successfully in a post-pandemic environment).</li> <li>• <i>Strengthen and Adapt</i> - Building the capacity, capability and resilience of our sector (e.g. through a new operating model fund to support development and implementation of shared services models across organisations or the consolidation of existing organisations).</li> <li>• <i>Different and Better</i> - Re-imagining the future through new approaches, ideas, technologies for improved well-being through play, active recreation and sport (e.g. activation funds to support innovative ways to create physical activity opportunities for New Zealanders with a focus on priority groups such as those with disabilities, Māori, low socio-economic groups, women and girls).</li> </ul> <p>Our approach means the Investment Outcomes remain fixed but the means by which we may achieve the outcome (i.e. the specific funding mechanism used) may change depending on the specific situation and the particular needs of each organisation.</p> <p>The nature of the assistance provided (e.g. grant from a contestable</p>

Key Question	Answer
	<p>fund, cash advance, quick support grant etc) will be driven by the purpose that the funding was for and the needs of the specific organisation. This will enable a more tailored approach to providing financial assistance where the specific type of funding provided is tailored to the needs of each organisation rather than a one-size fits all approach.</p>
<p><b>How does the initiative relate to the COVID-19 Pandemic response and recovery?</b></p>	<p>The Recovery Package directly relates to the Covid-19 pandemic response and recovery as the funding is to support the play, active recreation and sport system to recover from the disruption caused by the Covid-19 pandemic, and the subsequent lock-down.</p> <p>Organisations from across the play, active recreation and sport system (local clubs, and regional and national bodies) have suffered significant disruptions to their revenue streams as a result of Covid-19 and the associated lockdown. Many of these disruptions will continue after the lock-down restrictions are lifted. All of the main revenue sources such as ticket sales, commercial sponsorship, broadcast deals, membership fees and gaming revenue (Lotteries grants, class 4 gaming and sports betting revenue) have been affected. In some instances, funding streams have dried up immediately (e.g. the \$14.2 million per month revenue from Class 4 gaming has ceased because of the closure of the venues such as pubs and bars that house the gaming machines). The Recovery Package will mitigate these losses by providing funding for organisations to rebuild and deliver physical activity opportunities as the movement restrictions ease and New Zealand adjusts to the post-pandemic environment.</p>
<p><b>How does this initiative contribute to the Government's plan to respond and recover from COVID-19?</b></p>	<p>The Government's plan to respond to Covid-19 has three waves:</p> <ul style="list-style-type: none"> <li>• <i>Wave 1: Fighting the virus and cushioning the blow (from now to 6 months);</i></li> <li>• <i>Wave 2: Positioning for recovery (to be implemented from around May 2020 onward); and</i></li> <li>• <i>Wave 3: Resetting and revitalising the economy (supporting significant and long-term change).</i></li> </ul> <p>The Recovery Package covers all three of these waves and there are very clear links between the three Investment Outcomes that the Recovery Package will deliver and the three waves as follows:</p> <ul style="list-style-type: none"> <li>• the Reset and Rebuild Investment Outcome is linked closely to Wave 1 as it is about supporting the sector to get back on its feet in the short-medium term</li> <li>• the Strengthen and Adapt Investment Outcome is most closely linked to Wave 2 as it is about building the capacity, capability and resilience of our sector so it can recover strongly</li> <li>• the Different and Better Investment Outcome is closely linked to Wave 3 as it will focus on re-imagining the future through new approaches, ideas, technologies for improved well-being through play, active recreation and sport.</li> </ul> <p>The Recovery Package will directly support the public health response to</p>

Key Question	Answer														
	<p>Covid-19 by ensuring that there are opportunities for New Zealanders to participate in play, active recreation and sport and access the physical and mental health benefits and increased wellbeing that come from these activities.</p> <p>The play, active recreation and sport system in NZ in 2013 employed approximately 54,000 people and contributed around \$4.9 billion (approximately 2.3 percent) to annual GDP<sup>1</sup>. Given this, the Recovery Package will also have a very significant economic impact by protecting many of the thousands of jobs (and associated contribution to GDP) that exist in the play, active recreation and sport sector.</p>														
<p>Please provide a breakdown of the costs of this initiative</p>	<p><b>What does the operating and capital funding seek to purchase and what are the key cost components?</b></p> <p>The Recovery Package is seeking a total of \$264.6 million across five years as set out below.</p> <table border="1" data-bbox="593 766 1423 878"> <thead> <tr> <th>Year</th> <th>2019/20</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>\$ (m)</td> <td>4.6</td> <td>145</td> <td>63</td> <td>32</td> <td>20</td> <td>264.6</td> </tr> </tbody> </table> <p>The \$4.6 million required in the 2019/20 financial year is to support professional sports franchises to deal with the immediate financial impact of Covid-19 and remain financially viable until 1 July. The remainder of the funding (\$260 million across four years) will be allocated across the three Investment Outcomes from the funding framework outlined above.</p> <p>Our proposed funding allocation and examples of the types of funds that may be established under this approach are set out below against each Investment Outcome:</p> <ul style="list-style-type: none"> <li>• <i>Reset and Rebuild</i> – 30% (\$78 million over four years) <ul style="list-style-type: none"> <li>○ Community resilience fund (e.g. to help local and regional active recreation and sport organisations to make the changes required to operate successfully in a post-pandemic environment)</li> <li>○ Performance Resilience Fund: <ul style="list-style-type: none"> <li>○ Support for Olympic and Paralympic high-performance athletes for any additional costs from HPSNZ relating to preparations for the rescheduled Olympics and Paralympics</li> <li>○ Bespoke assistance based on need for professional franchises to assist them to reboot their competitions and reshape future formats (may involve loans to assist with short-term cashflow issues rather than grants)</li> </ul> </li> </ul> </li> <li>• <i>Strengthen and Adapt</i> – 40% (\$104 million over four years) <ul style="list-style-type: none"> <li>○ Partner support (e.g. to help strategically important partner</li> </ul> </li> </ul>	Year	2019/20	2020/21	2021/22	2022/23	2023/24	Total	\$ (m)	4.6	145	63	32	20	264.6
Year	2019/20	2020/21	2021/22	2022/23	2023/24	Total									
\$ (m)	4.6	145	63	32	20	264.6									

<sup>1</sup> Dalziel, P. (2015). The Economic Value of Sport and Outdoor Recreation to New Zealand: Updated Data. AERU, Lincoln University

Key Question	Answer
	<p>organisations to make the changes they need to rebuild strongly such as structural or organisational changes)</p> <ul style="list-style-type: none"> <li>○ New operating model fund (e.g. to support development and implementation of shared services model across organisations or consolidation of existing organisations)</li> <li>• <i>Different and Better – 30% (\$78 million over four years)</i> <ul style="list-style-type: none"> <li>○ Activation funds to support innovative ways to create physical activity opportunities for New Zealanders with a focus on priority groups (e.g. those with disabilities, Māori, from low socio-economic groups, women and girls etc). Could involve partnering with non-traditional organisations.</li> </ul> </li> </ul> <p>Some overarching criteria for the Recovery Package have been agreed. The Recovery Package will fund:</p> <ul style="list-style-type: none"> <li>○ new organisations we don't currently partner with, as well as existing partners</li> <li>○ high performance funding as required</li> <li>○ bespoke support for professional franchises as required</li> <li>○ one off &amp; baseline funding</li> <li>○ returning facilities to pre-Covid-19 state/mitigating impact of Covid-19 as required.</li> </ul> <p>The Recovery Package will not fund:</p> <ul style="list-style-type: none"> <li>○ the development and build of infrastructure/new facilities</li> <li>○ physical activity campaigns or other indirect support (these are captured through Sport NZ's wider Response Plan and related operating budget).</li> </ul> <p>Criteria and parameters for specific funds within the Recovery Package will be developed and communicated clearly to potential applicants in due course.</p> <p><b>What key assumptions have been made to determine these costs?</b></p> <p>Our assessment of the funding required has been based on independent research commissioned from KPMG to model the financial impact that Covid-19 has had on the play, active recreation and sport system. This research estimated the net impact on the sector due to Covid-19 in 2020 (lost revenue, less saved costs) to be \$170 million based on a six-month disruption scenario<sup>2</sup>.</p> <p>KPMG collected detailed (and commercially sensitive) financial information from Level 1 partners of Sport NZ,<sup>3</sup> and less-detailed information from Level 2 partners (including 28 national and regional sports and recreation organisations and two Olympic organisations).</p>

<sup>2</sup> KPMG, 2020. COVID-19 Financial Impact Analysis. A report prepared for Sport New Zealand. Page 11 refers.

<sup>3</sup> Level 1 partners are the national sports organisations for Rugby, Cricket, Hockey, Netball, Rugby League, Football, Basketball, Tennis, Baseball and Snow Sports. The Wellington Phoenix, NZ Breakers and NZ Warriors were also included in this group.



Key Question	Answer
	<p>Two scenarios were developed based on this analysis assuming either a three-month disruption or a six-month disruption as a result of COVID-19.</p> <p>The report found that revenue for Level 1 and 2 partners is expected to be severely disrupted as a result of COVID-19, and that the lost revenue greatly outweighs the costs saved by these organisations (for example, from wage cuts or savings from not hosting events or training programmes). The net impact on the system (including Level 1 and Level 2 partners) was estimated at \$170 million (six-month disruption) with a lower cost of \$99 million (three-month disruption).</p> <p>As part of its work KPMG developed a series of assumptions that it used to provide a 'reasonableness check' against the information provided by the Level 1 and 2 partners. The \$170 million net impact figure for a six-month disruption was within the upper and lower limits suggested by this 'reasonableness check'. We have used the six-month disruption scenario as this appears to be a more realistic scenario than the three-month disruption scenario.</p> <p>Analysis separately carried out by Sport NZ about the impact on revenue streams going into the play, active recreation and sport sector also suggests that the \$170 million net impact figure is a realistic estimate of the likely net impact (and may in fact underestimate the impact).</p> <p>The \$170 million net impact figure has been used as the basis for calculating the size of the Recovery Package. Sport NZ and HPSNZ has reprioritised \$25 million from within baselines and reserves from the 2019/20 and 2020/21 financial years which has reduced the additional funding required to \$145 million for the 2020/21 financial year.</p> <p>Although the ongoing financial impact beyond the 2020/21 financial year is harder to predict we expect to see a significant ongoing impact in terms of reduced revenue from:</p> <ul style="list-style-type: none"> <li>• Class 4 gaming (from gaming machines in pubs and clubs) – likely to be lower on an ongoing basis due to 'sinking lid' regulations and the possibility that some hospitality businesses hosting gaming machines may go out of business</li> <li>• broadcast and sponsorship deals – future deals likely to be less lucrative if product is reduced (i.e. Super Rugby format changes) and as a result of an economic downturn (less money available for commercial broadcast and sponsorship deals)</li> <li>• TAB funding – economic downturn may mean people have less disposable income with which to gamble resulting in less funding flowing back into community sport.</li> </ul> <p>The funding required in 2021/22 and beyond has therefore been phased down over the time period to account for the estimated impact of these factors.</p> <p><b>What are the key uncertainties or risks around these costings?</b></p> <p>A key uncertainty for these costings is the length of the disruption to both community and professional sport. As noted above, our funding request</p>

Proactively released under Official Information Act 1982 in accordance with the Government's commitment to Open Government

Key Question	Answer
	<p>is based on a six-month disruption scenario and it is impossible to predict at this stage whether this is accurate. This duration comprises the actual lock-down period, plus any period where other restrictions are in place (i.e. as NZ moves through the different Covid-19 response levels).</p> <p>There is also uncertainty around how well the KPMG analysis reflects the financial sustainability of organisations at the community or club level. Sport NZ deal with c. 200 sports and recreation entities and there are c. 15,000 sports and recreation clubs in New Zealand. It is possible that the impacts outlined in the report understate the impact of Covid-19 on community sports clubs.</p>
<p><b>How will this initiative be implemented?</b></p>	<p>Sport NZ will manage the detailed design, delivery and implementation of the Recovery Package. Some aspects of the Package (e.g. a specific local fund) may be devolved to national or regional sporting organisations to deliver within their specific sport or region but Sport NZ will retain clear oversight and accountability for the overall Package.</p> <p>Sport NZ has developed a high-level set of criteria that organisations must meet to receive funding from the Recovery Package. The high-level criteria are:</p> <ul style="list-style-type: none"> <li>• Organisations seeking assistance must: <ul style="list-style-type: none"> <li>○ demonstrate their commitment to Te Tiriti o Waitangi and Treaty principles of Partnership, Protection and Participation</li> <li>○ be accessing other support available to them (e.g. the government wage subsidy)</li> <li>○ demonstrate they have appropriate business processes in place (e.g. good governance/financial management)</li> </ul> </li> <li>• Process will be fair and impartial (although the outcome may not be equitable – some sectors/organisations may receive more funding than others)</li> <li>• We may offer specific activation funding to organisations that can activate kaupapa Māori wellbeing frameworks</li> <li>• Process will reflect our commitment to Te Tiriti o Waitangi and the Treaty Principles.</li> </ul> <p>Specific, detailed criteria for each fund to be delivered under each Investment Outcome of the fund will be developed and clearly communicated in due course.</p> <p>Sport NZ already funds organisations to deliver play, active recreation and sport around New Zealand and this Recovery Package will leverage off the existing systems, experience and partnerships in this area.</p> <p>Sport NZ will continue to work collaboratively with other agencies across government (e.g. the Ministry of Health, Ministry of Education, Ministry of Transport etc) to maximise the opportunities to achieve our shared outcomes.</p>
<p><b>Why is funding urgently required for this initiative?</b></p>	<p>Given the size of the financial impacts faced by Sport New Zealand's partners, many of whom do not have large financial reserves, many of</p>

Key Question	Answer
	<p>these organisations will face insolvency/bankruptcy in the coming months without this support. One Regional Sporting Organisation (Mainland Netball) has already been placed in voluntary liquidation as a result of Covid-19.<sup>4</sup> Without this support many more organisations are likely to close or have to severely restrict their services including some professional sports clubs. The impact on local community sports and recreation organisations and clubs would also be very significant with many of them likely to face closure or serious financial difficulty without additional support.</p> <p>Play, active recreation and sport play a significant role in enhancing wellbeing by creating happier, healthier New Zealanders, better connected communities, and a strong New Zealand. Participation in physical activity is a strong contributor to wellbeing outcomes, particularly in relation to enhanced Human Capital (through improved physical and mental health) and Social Capital (through membership and participation in clubs, tournaments and events).</p> <p>Without additional funding, the contribution of the play, active recreation and sport system to wellbeing outcomes such as health, social connection, subjective wellbeing, and civic engagement and governance (captured in the Sport NZ outcomes framework<sup>5</sup>) is at risk. We rely on our partner organisations across the play, active recreation and sport system to deliver the programmes to New Zealanders to help us achieve these outcomes. Any reduction in the ability of these organisations to deliver these programmes and physical activity opportunities to New Zealanders will therefore have an impact on our ability to achieve these wellbeing outcomes.</p> <p>Play, active recreation and sport can also play a significant role in helping communities recover and rebuild from traumatic events (for example, participation in play, active recreation and sport helped to rebuild resilience in Christchurch following the earthquakes).</p> <p>The risks of not funding the Recovery Package in Budget 2020 include:</p> <ul style="list-style-type: none"> <li>• <i>Economic risks</i> – the play, active recreation and sport system in NZ in 2013 employed c. 54,000 people and contributed around \$4.9 billion to annual GDP (approx. 2.3 percent of total GDP).<sup>6</sup> If this initiative is not funded, many organisations may become insolvent, many people will lose their jobs, and the value added by the sport and active recreation system will be reduced. An</li> <li>• <i>Increased long-term fiscal cost</i> – physical activity rates have an</li> </ul>

<sup>4</sup> Stuff, 4 April 2020. <https://www.stuff.co.nz/sport/netball/120822464/coronavirus-netball-mainland-placed-in-voluntary-liquidation-due-to-covid19-impact>.

<sup>5</sup> <https://sportnz.org.nz/managing-sport/search-for-a-resource/tools-and-resources/sport-nz-outcomes-framework>

<sup>6</sup> Dalziel, P. (2015). The Economic Value of Sport and Outdoor Recreation to New Zealand: Updated Data. AERU, Lincoln University

Key Question	Answer
	<p>impact on long-term fiscal costs in the health system and productivity. Conservatively estimated<sup>7</sup>, physical inactivity cost the New Zealand health-care system INT\$107m (~NZ\$155m) in 2013, of which 83% was incurred by the public sector. In addition, physical inactivity related deaths contributed INT\$31m (~NZ\$45m) in productivity losses. If physical activity levels drop post-pandemic due to the closure of local organisations and clubs, there will be an increase in long-term fiscal costs because of additional healthcare needs that could have been avoided by a more active population. A decline in physical activity would also contribute to lower productivity levels across the economy (and a resulting decrease in tax revenue for the government).</p> <ul style="list-style-type: none"> <li>• <i>Risks to mental and physical health and wellbeing</i> – play, active recreation and sport is an important contributor to many dimensions of wellbeing in NZ. It contributes to improved physical and mental health outcomes, and greater community connectedness. Research commissioned by Sport NZ in 2017 found that 89 percent of New Zealanders agree that being active helps relieve stress and is good for mental health, and 92 percent of people agreed that being active keeps people physically fit and healthy.<sup>8</sup> The same research found that 73 percent of people agree that sport and other physical activities help build vibrant and stimulating communities. If the opportunities to play sport and participate in play and active recreation are disrupted by Covid-19 because organisations are not able to offer these opportunities then this will impact on the wellbeing outcomes noted above.</li> <li>• <i>Risks to social cohesion and community connectedness</i> - play, active recreation and sport have a significant role to play in building community connectedness and resilience. Participation in local community sport and recreation activities builds a sense of togetherness and helps to break down barriers between people from different ethnic, cultural and socio-economic backgrounds. Local opportunities of this nature were being actively considered as ways in which to enhance social inclusion across New Zealand in work underway before Covid-19. If the local organisations that provide these opportunities disappear then this will impact negatively on community connectedness.</li> <li>• <i>Performance at signature events</i> – prior to the Covid-19 crisis, many of New Zealand's high performance athletes (and their coaches and support crews) were preparing to compete at the Tokyo Olympic and Paralympic games later this year (investment of approximately \$240 million over the last four years has already been made in these athletes). These events have been postponed until 2021 and athletes will now need to pivot their training and preparation to ensure their performance peaks at the right time. If this initiative is not funded, New Zealand risks impacting the performance of our elite athletes and our team's performance at the games. The performance of our elite athletes is important to New Zealanders – 83 percent of us agree that high performance sport helps instil a sense of pride in our country.<sup>9</sup></li> </ul>

<sup>7</sup> Ding et al (2016). The Economic Burden of Physical Inactivity: A Global Analysis of Major Non-communicable Diseases [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(16\)30383-X/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(16)30383-X/fulltext)

<sup>8</sup> Pages 4, 7 and 20 of the reference cited in footnote **Error! Bookmark not defined..**

<sup>9</sup> Page 25 of the reference cited in footnote **Error! Bookmark not defined..**

Key Question	Answer
	<ul style="list-style-type: none"> <li>Similarly, if support is not provided in the short-term for professional sports franchises then some of these may not survive which would have negative knock-on impacts. Professional franchises have an important role to play in the end to end pathway for many sports in New Zealand. If professional franchises do not survive then there will be an increased risk of players leaving for other countries with a resulting decline in the standard of New Zealand national teams. Professional franchises also play a significant role in terms of community pride and the inspiration that comes from supporting your local team and attending games with other fans.</li> </ul> <p>This crisis also presents an opportunity to optimise the performance and efficiency of the play, active recreation and sport system in New Zealand and shape the system as it rebuilds post-pandemic in a way that supports the strategic goals of Sport NZ and HPSNZ and joint purpose; <i>To contribute to the wellbeing of everybody in Aotearoa New Zealand by leading an enriching and inspiring Play, Active Recreation and Sport system.</i></p>
<p><b>Are there any other options to fund this initiative?</b></p>	<p><b>Has reallocating funding from elsewhere within baselines been considered?</b></p> <p>Sport New Zealand has already reprioritised \$25 million from existing baselines through a reprioritisation of existing sector investments, 20% savings across non-fixed operating expenditure and reserves, to fund an immediate relief package for their partner organisations. For comparison, this amount is equivalent to the annual appropriation for Sport NZ of \$25.149 million. This has reduced the amount of funding required for this Recovery Package. Sport New Zealand and HPSNZ are unable to reprioritise any further funding for this Recovery Package.</p> <p><b>Are there any other funds or tagged contingencies that could provide funding?</b></p> <p>No, there are no other funds or tagged contingencies that could provide funding for the Recovery Package.</p>
<p><b>Does the initiative result in new FTEs or contractors?</b></p>	<p>No.</p>
<p><b>Does this initiative overlap with the work of any other departments? If so, how have you worked with those departments to avoid duplication?</b></p>	<p>There are no other similar initiatives across Government targeted towards supporting sports organisations. However, the Department of Internal Affairs (DIA) are the lead agency for the regulation of gambling (including Class 4 gaming). We understand that a proposal that has been developed by DIA to provide support for the Racing Industry Transition Agency (RITA) includes \$5 million funding for national sports organisations that normally flows from TAB sports betting. If Ministers approve the RITA proposal then the amount of funding sought in this Recovery Package could reduce by \$5 million in the 2020/21 financial year.</p>

## Appendix 2: Submission Seeking Funding for COVID-19 Related Costs: Water Safety

### Funding sought

Operating funding Sought (\$m)	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears	Total
<b>Vote Transport:</b>	-	15.078	15.145	15.145	15.145	<b>60.513</b>
<b>Vote Sport and Recreation:</b>	-	0.500	0.530	0.530	0.530	<b>2.090</b>
<b>Total</b>	-	<b>15.578</b>	<b>15.675</b>	<b>15.675</b>	<b>15.675</b>	<b>62.603</b>

Capital funding Sought (\$m)	2019/20	2020/21	2021/22	2022/23	2023/24	
<b>Vote Transport:</b>	-	-	-	-	-	
<b>Vote Sport and Recreation:</b>	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>Vote Transport:</b>	-	-	-	-	-	-
<b>Vote Sport and Recreation:</b>	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

### Funding sought to be reprioritised

Although the provision of rescue services is beyond Sport NZ's mandate, Sport NZ agreed to take the lead in developing the Budget bid for water safety on behalf of the Water Safety Sector Working Group formed by the Sport and Recreation, Transport, ACC, and Community and Voluntary Sector Ministers. This group included representatives of ACC, the Department of Internal Affairs, Sport New Zealand, the Ministry of Transport, Maritime New Zealand and the New Zealand Search and Rescue Council. We understand that no agencies have other funding that is available to be reprioritised for this initiative.

### Overview of COVID-19 pandemic related funding or initiative

Key Question	Answer
<b>Title of initiative</b>	Securing and strengthening frontline water safety rescue and prevention services to reduce New Zealand's drowning toll
<b>Portfolio of lead Minister</b>	Hon. Grant Robertson, Minister for Sport and Recreation

Key Question	Answer
<b>Portfolio(s) of other Ministers involved</b>	Hon Phil Twyford, Minister of Transport
<b>Impacted Votes</b>	Vote Transport, and Vote Sport and Recreation
<b>What will this initiative do?</b>	<p>This initiative will provide funding to ensure critical frontline rescue services delivered by Surf Life Saving New Zealand (SLSNZ) and Coastguard New Zealand (CGNZ) are maintained at existing levels. These organisations derive a significant portion of their funding from lotteries grants and Class 4 gaming revenue (from gaming machines in pubs and clubs). These organisations were already struggling with financial insecurity before the COVID-19 disruption and without government funding services (e.g. beach patrols) were likely to be reduced. The disruption as a result of the COVID-19 pandemic and subsequent lock-down measures will impact these organisations. New Zealand will need the services these organisations provide when lock-down restrictions are eased and people can return to the beaches and the water.</p> <p>This funding will:</p> <ul style="list-style-type: none"> <li>• fund 70% of SLSNZ club rescue services costs</li> <li>• replace the highest risk revenue from CGNZ and SLSNZ, and fundraising activities</li> <li>• provide SLSNZ and CGNZ with funding for investment in new equipment (including for Search and Rescue).</li> </ul> <p>The funding request also provides a small investment to enhance sector leadership and efficiency and to address identified gaps in the sector's ability to deliver the goals of the Water Safety Strategy 2020.</p>
<b>How does the initiative relate to the COVID-19 Pandemic response and recovery?</b>	<p><b>Funding is needed as a direct result of COVID-19</b></p> <p>Our ability to live, work and play around water underpins our wellbeing and is a key part of what makes us Kiwis. However, we tend to underestimate the risks and overestimate our abilities around water meaning drownings and non-fatal incidents are all too common. Eighty-two people lost their lives to preventable drownings in 2019, and one in three New Zealanders have first-hand experience of a serious water incident. Our drowning toll is almost double Australia's, and the toll is estimated to have an impact of more than \$350 million per annum in economic and social costs.</p> <p>Addressing this toll requires ensuring frontline rescue services are available while also improving water safety skills and attitudes. The Water Safety Working Group commissioned by Ministers to consider a sector request for funding found our leading water safety bodies face significant challenges.</p> <p>SLSNZ and CGNZ are not-for-profit organisations and are dependent on non-government contestable and volatile funding sources (e.g. lottery and gaming grants, donations, sponsorship, and fundraising). With significant operating costs for frontline services, this volatility, and recent reductions in income (and minimal cash reserves) means the sector has an acute vulnerability to funding fluctuations.</p> <p>The disruption to many of these funding sources as a result of COVID-19</p>

Key Question	Answer
	<p>highlights the need for Government to strengthen the funding for frontline water safety and rescue services – New Zealanders will need these services when the lock-down restrictions cease and people can return to their water activities (e.g. surfing and boating).</p> <p><b>Funding is urgently needed to respond to COVID-19</b></p> <p>The need for this funding existed before COVID-19; however, COVID-19 has greatly exacerbated this need, and highlighted the need for intervention. SLSNZ and CGNZ will be expecting a large reduction in their revenue as a result of COVID-19 because revenue from lotteries grants and gaming will be much lower in 2020 compared with previous years. Furthermore, corporate sponsorships and donations also comprise a significant portion of the funding for CGNZ and SLSNZ (e.g. revenue from BP and KFC, both of which are affected by the lock-down). It is unclear at this stage how much sponsorships and donations will be impacted by COVID-19, but it is likely that the impact will be significant.</p> <p>This drop in revenue will impede the ability of these services to patrol our beaches and our coast and keep us safe in the water. Without this funding, SLSNZ and CGNZ will have to consolidate their services, and a greater number of people may die in and around New Zealand's coastal waters as a result.</p> <p><b>The additional costs cannot be managed from existing baselines</b></p> <p>Sport New Zealand and High Performance Sport New Zealand (HPSNZ) have already reprioritised \$25 million from their existing baselines and reserves to fund an immediate relief package for their partner organisations. The provision of rescue services is also beyond our mandate and Sport New Zealand and HPSNZ are therefore unable to reprioritise any further funding for this initiative.</p> <p>The Ministry of Transport funds the contracts with SLSNZ and CGNZ through NZ Search and Rescue. This work is funded through fuel excise duty on petrol and diesel sales in NZ. Given that travel has been severely restricted during the lock-down (and this will continue during Levels 3 and 2) this revenue is also expected to be squeezed.</p> <p><b>There are specific risks of not funding this initiative in light of the COVID-19 response and recovery</b></p> <p>The risks of not funding this initiative include:</p> <ul style="list-style-type: none"> <li>• SLSNZ and CGNZ will have to reduce services – if the reduction in funding from Class 4 gaming and lottery grants is not replaced these organisations will have to consolidate their services. This will mean that fewer beaches are patrolled, or beaches are patrolled for fewer hours. If these reductions to services are made, people will be at a higher risk of drowning. In 2018/19, SLSNZ undertook 237,721 patrol hours, rescuing 702 people and assisting a further 1,622 to safety, and taking part in 381 searches. Over the same period, CGNZ undertook 115,505 hours of frontline activity, saving, rescuing, or assisting 576 people, and undertook 433 searches. Maintenance of existing services will directly support reducing social and economic costs from preventable drowning and injury.</li> <li>• New Zealand will have poorer search and rescue capability – SLSNZ and CGNZ are key parts of the Search and Rescue (SAR) sector.</li> </ul>



Key Question	Answer																																																															
	NZSAR-tasks activities are about 20% of CGNZ's workload while NZSAR funding provides less than 12% of total operating costs. For SLSNZ, NZSAR-tasks SAR callouts are about 4.5% of its yearly searches, while NZSAR funding makes up around 1% of annual total operating costs. This initiative maintains and enhances the search and rescue sector by ensuring these services remain available and enhancing their future effectiveness, while also addressing the significant non-funded SAR activities undertaken.																																																															
<b>How does this initiative contribute to the Government's plan to respond and recover from COVID-19?</b>	<p>This initiative supports Wave 1 of the government's response 'Fighting the virus and cushioning the blow (from now to six months)' as it will provide funding that is needed in the short-term to maintain critical frontline rescue services delivered by SLSNZ and CGNZ.</p> <p>This funding will support households and the public health response to Covid-19 by helping to keep individuals, whanau and communities safe when they are engaged in recreational activities at the beach or on the water.</p> <p>The funding will directly contribute to the continued delivery of public services by ensuring that SLSNZ and CGNZ are able to continue to deliver their services to keep people safe.</p>																																																															
<b>Please provide a breakdown of the costs of this initiative</b>	<p><b>What does the operating and capital funding seek to purchase and what are the key cost components?</b></p> <p>The following table shows the breakdown of the cost components for this initiative (cost figures are in \$ millions).</p> <table border="1"> <thead> <tr> <th>Vote</th> <th>Funding component</th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24 &amp; out-years</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Transport</td> <td>SLSNZ - 70% of club rescue services costs</td> <td>5.000</td> <td>5.000</td> <td>5.000</td> <td>5.000</td> <td>20.000</td> </tr> <tr> <td>Transport</td> <td>SLSNZ - Replace highest risk revenue</td> <td>1.560</td> <td>1.560</td> <td>1.560</td> <td>1.560</td> <td>6.240</td> </tr> <tr> <td>Transport</td> <td>SLSNZ - Fund raising programme</td> <td>0.140</td> <td>0.175</td> <td>0.175</td> <td>0.175</td> <td>0.665</td> </tr> <tr> <td>Transport</td> <td>SLSNZ - Operating grant for capital purposes</td> <td>2.750</td> <td>2.750</td> <td>2.750</td> <td>2.750</td> <td>11.000</td> </tr> <tr> <td>Transport</td> <td>CGNZ - Replace highest risk revenue</td> <td>3.200</td> <td>3.200</td> <td>3.200</td> <td>3.200</td> <td>12.800</td> </tr> <tr> <td>Transport</td> <td>CGNZ - National membership growth</td> <td>0.128</td> <td>0.160</td> <td>0.160</td> <td>0.160</td> <td>0.608</td> </tr> <tr> <td>Transport</td> <td>CGNZ - Operating grant for capital purposes</td> <td>2.000</td> <td>2.000</td> <td>2.000</td> <td>2.000</td> <td>8.000</td> </tr> <tr> <td>Transport</td> <td>CGNZ - Operating</td> <td>0.300</td> <td>0.300</td> <td>0.300</td> <td>0.300</td> <td>1.200</td> </tr> </tbody> </table>	Vote	Funding component	2020/21	2021/22	2022/23	2023/24 & out-years	Total	Transport	SLSNZ - 70% of club rescue services costs	5.000	5.000	5.000	5.000	20.000	Transport	SLSNZ - Replace highest risk revenue	1.560	1.560	1.560	1.560	6.240	Transport	SLSNZ - Fund raising programme	0.140	0.175	0.175	0.175	0.665	Transport	SLSNZ - Operating grant for capital purposes	2.750	2.750	2.750	2.750	11.000	Transport	CGNZ - Replace highest risk revenue	3.200	3.200	3.200	3.200	12.800	Transport	CGNZ - National membership growth	0.128	0.160	0.160	0.160	0.608	Transport	CGNZ - Operating grant for capital purposes	2.000	2.000	2.000	2.000	8.000	Transport	CGNZ - Operating	0.300	0.300	0.300	0.300	1.200
Vote	Funding component	2020/21	2021/22	2022/23	2023/24 & out-years	Total																																																										
Transport	SLSNZ - 70% of club rescue services costs	5.000	5.000	5.000	5.000	20.000																																																										
Transport	SLSNZ - Replace highest risk revenue	1.560	1.560	1.560	1.560	6.240																																																										
Transport	SLSNZ - Fund raising programme	0.140	0.175	0.175	0.175	0.665																																																										
Transport	SLSNZ - Operating grant for capital purposes	2.750	2.750	2.750	2.750	11.000																																																										
Transport	CGNZ - Replace highest risk revenue	3.200	3.200	3.200	3.200	12.800																																																										
Transport	CGNZ - National membership growth	0.128	0.160	0.160	0.160	0.608																																																										
Transport	CGNZ - Operating grant for capital purposes	2.000	2.000	2.000	2.000	8.000																																																										
Transport	CGNZ - Operating	0.300	0.300	0.300	0.300	1.200																																																										

Key Question	Answer					
	<i>grant for capital purposes (SAR equipment)</i>					
<b>Transport (sub-total)</b>	<b>Frontline water safety services sub-total</b>	15.078	15.145	15.145	15.145	60.513
<b>Sport and Recreation</b>	<i>Implementation Manager</i>	0.120	0.150	0.150	0.150	0.570
<b>Sport and Recreation</b>	<i>External expertise</i>	0.300	0.300	0.300	0.300	1.200
<b>Sport and Recreation</b>	<i>Operational funding</i>	0.080	0.080	0.080	0.080	0.320
<b>Sport and Recreation (sub-total)</b>	<b>Sector Leadership and Capability sub-total</b>	0.500	0.530	0.530	0.530	2.090
	<b>TOTAL</b>	<b>15.578</b>	<b>15.675</b>	<b>15.675</b>	<b>15.675</b>	<b>62.603</b>

**What key assumptions have been made to determine these costs?**

We have assumed that current Government funding sources will remain available. Current sector funding from ACC and Sport NZ is independent and separate from the Budget process, being derived from ACC levies and Lotteries funding respectively. Decisions about these funding streams are made under the delegated authority of the respective organisations' Boards, rather than by Parliament.

Consistent with the Water Safety Working Group's findings, the status quo is unsustainable and will result in a progressive 'right sizing' of services to fit the available and reducing funding. This will result in a reduction of frontline drowning prevention services and activity in parts of the country, and an inability to adapt services to meet changing demand. Despite clear financial challenges at a number of regions and levels in sector organisations, the nature and volatility of the sector's funding means it is not possible to identify where services may be impacted (i.e. the unexpected loss of a single funding source may have a significant impact on future services of a previously well-positioned club, region, or organisation).

Responsibility for water safety, drowning prevention, and frontline rescue services is shared between central government, local government, and communities and all do their part to support the outcomes sought.

Demand for water safety services and activities continue to grow on current trends (based on increasingly flexible lifestyles changing where and when people engage in water activities, continued migration to New Zealand).

**What are the key uncertainties or risks around these costings?**

Key risks include:

- Other sources of funding decline more significantly than anticipated,

Key Question	Answer
	<p>offsetting the impact from the proposed Government contribution.</p> <ul style="list-style-type: none"> <li>Other funders (i.e. grant funders or sponsors) see Government funding to the sector as a reason that they no longer need to continue supporting sector organisations.</li> </ul>
<b>How will this initiative be implemented?</b>	<p>This initiative will provide funding to sector organisations with existing funding relationships with relevant agencies (the Ministry of Transport, ACC, and SportNZ). To ensure coherence and alignment across new and existing water safety activities, funding through this initiative will be aligned with existing funding agreements where possible, with monitoring and reporting aligned with existing requirements. To ensure this alignment, frontline rescue service funding will be aligned with existing oversight, monitoring and reporting requirements through existing SAR Service Level Agreements for activities funded under section 9(1) of the Land Transport Management Act 2003.</p> <p>ACC and Sport New Zealand currently have a joint agreement with WSNZ for the delivery of existing investment in water safety activities. This agreement requires regular scheduled reporting on delivery, achievement, issues, and specific matters, and is supported by quarterly meetings between the three parties. New funding would be incorporated into this approach.</p> <p>As part of developing oversight and governance of the initiative, Sport NZ and the Ministry of Transport will give consideration to how funding arrangements can better support a collaborative, joined-up sector that is able to collectively deliver improved drowning prevention outcomes over the longer term.</p>
<b>Why is funding urgently required for this initiative?</b>	<p>The need for this funding existed before COVID-19; however, COVID-19 has greatly exacerbated this need, and highlighted the need for intervention. SLSNZ and CGNZ will be expecting a large reduction in their revenue as a result of COVID-19 because revenue from lotteries grants and gaming, as well as sponsorships and donations, will be much lower in 2020 compared with previous years. This will impede their ability to patrol our beaches and our coast and keep us safe in the water. Without this funding, SLSNZ and CGNZ will have to consolidate their services, and a greater number of people may die in and around New Zealand's coastal waters as a result.</p>
<b>Are there any other options to fund this initiative?</b>	<p>We considered the following alternative options for this initiative:</p> <ul style="list-style-type: none"> <li>Full government funding of SLSNZ and CGNZ for frontline rescue activities (&gt;\$51.000 million p.a.; discounted as too costly, frontline services are not solely the responsibility of central government)</li> <li>Discussion with Lotteries Grants Board to consider a guaranteed allocation of Lotto NZ profits to CGNZ and SLSNZ (no additional cost; only partly addresses funding gap, funding remains uncertain, precedent issues)</li> <li>Government funding of SLSNZ and CGNZ initiatives proposed in the sector's 2018 Water Safety Sector Capability Plan and Investment Pathway (\$30.010 million p.a.; discounted for same reasons as full funding above)</li> <li>Continue the informal government guarantee of funding to allow for</li> </ul>

Key Question	Answer
	<p>any material reductions in at-risk funding (cost uncertain but ranges between \$0 and \$42.000 million p.a. and likely to grow; was only a stopgap, is an unusual and ongoing funding burden on Government)</p> <ul style="list-style-type: none"> <li>• Status quo (No additional cost; does not address challenges, Ministers have indicated is not a viable option).</li> </ul> <p><b>Has reallocating funding from elsewhere within baselines been considered?</b></p> <p>Although the provision of rescue services is beyond Sport NZ's mandate, Sport NZ agreed to take the lead in developing the Budget bid for water safety on behalf of the Water Safety Sector Working Group formed by the Sport and Recreation, Transport, ACC, and Community and Voluntary Sector Ministers. This group included representatives of ACC, the Department of Internal Affairs, Sport New Zealand, the Ministry of Transport, Maritime New Zealand and the New Zealand Search and Rescue Council. We understand that no agencies have other funding that is available to be reprioritised for this initiative.</p> <p>The Ministry of Transport funds the contracts with SLSNZ and CGNZ through NZ Search and Rescue. This work is funded through fuel excise duty on petrol and diesel sales in NZ. Given that travel has been severely restricted during the lock-down (and this will continue during Levels 3 and 2) this revenue is also expected to be squeezed.</p> <p><b>Are there any other funds or tagged contingencies that could provide funding?</b></p> <p>No, there are no other funds or tagged contingencies that could provide this level of funding.</p>
<p><b>Does the initiative result in new FTEs or contractors?</b></p>	<p>Yes, this initiative proposes establishing a new Implementation Manager position at Water Safety New Zealand (1 FTE).</p>
<p><b>Does this initiative overlap with the work of any other departments? If so, how have you worked with those departments to avoid duplication?</b></p>	<p>The Ministry of Transport is the lead policy agency and Crown monitoring agency for NZ Search and Rescue. We are working closely with them on this initiative. They have confirmed that they are not submitting a similar bid for this purpose.</p>

Proactively released under Sport NZ's commitment to Open Government



**TO:** Minister for Sport and Recreation  
**DATE:** 17 April 2020  
**SUBJECT:** Recovery Package for the play, active recreation and sport system  
**FROM:** Peter Miskimmin  
**SENSITIVITY:** In confidence

## Recovery Package for the play, active recreation and sport system

### Purpose

1. In late March 2020 you asked us to develop a Recovery Package for the play, active recreation and sport sector. This briefing outlines the key components of this proposed Recovery Package and seeks your agreement that this be submitted to the Treasury for consideration for funding in Budget 2020.

Some information contained in this report and its appendices contains information that is subject to an obligation of confidence under section 2 (ba) of the Official Information Act 1982.

### The Recovery Package is part of Sport NZ's broader response to Covid-19

2. There are two main parts to the Group Sport NZ response to the impact of Covid-19; the immediate and short-term response, known as the Response Plan, and the medium-long term response, which we are referring to as the Recovery Package. The Response Plan is providing immediate assistance to the sector and is being funded from Sport NZ and HPSNZ baselines and reserves. This paper focuses on the Recovery Package which has now been endorsed by the Sport NZ Board.
3. The Recovery Package has a medium-long term focus and will require additional government funding. Our assessment is that funding of \$264.6 million over four years will be required to support the play, active recreation and sport sector to recover from the impact of Covid-19.

### Overview of the Recovery Package

4. The scope of the Recovery Package is deliberately broader than the shorter-term Relief Package which focuses on our existing investment partners and their constitutional networks. The Recovery Package is broader in scope to recognise the fact that as New Zealand recovers from Covid-19 we may wish to invest in a wider set of organisations to take advantage of the opportunities that may emerge.
5. Support via the Recovery Package will be focused on organisations that can demonstrate they can reset and rebuild strongly and deliver relevant positive play,

Recovery Package for the play, active recreation and sport system active recreation and community and high performance sport outcomes for tangata whenua and all New Zealanders in line with Sport NZ and HPSNZ strategic goals.

6. The purpose of the Recovery Package is to:
- support physical activity, cultural vitality and high performance outcomes that contribute to the wellbeing of tangata whenua and all New Zealanders in the post-pandemic environment
  - replace (in part or in full) disrupted revenue streams where these are beyond Sport NZ or HPSNZ's financial means
  - identify and support future opportunities to redefine and influence the system providing play, active recreation and sport opportunities to the people of Aotearoa.

### Funding required for the Recovery Package

7. We have modelled two scenarios of the disruption that Covid-19 is causing to the play, active recreation and sport sector to help assess the financial impact. The first is a moderate impact scenario featuring a three month disruption while the second is a more conservative scenario featuring a six month disruption. While it is still not clear how long the disruption will be, it seems increasingly clear that the disruption to 'business as usual' in terms of participation in club sports and attendance at professional sports games is likely to last for longer than three months.
8. Bearing this in mind we recommend that funding for the Recovery Package should be based on the more conservative scenario of a six month disruption. Table 1 below sets out the expected impact on the system and how much of the estimated funding required for the system can be met from reprioritised Sport NZ and HPSNZ baseline funding and reserves (\$25 million in the 2020/21 financial year).

Table 1: Funding required for the Recovery Package

Scenario	2019/20 Pro Sport Relief	Net Projected Loss to 30 June 21 \$m	Impact 2021/22 \$m	Impact 2022/23 \$m	Impact 2023/24 <sup>1</sup> \$m	Total
<b>Total IMPACT</b>						
Moderate 3 month disruption	4.6	100	50	25	20	199.6
Conservative (Recommended): 6 month disruption	4.6	170	85	43	20	322.6
<b>LESS Relief Package contribution</b>						
Sport NZ		24.0	-	-	-	24
HPSNZ		1.0	-	-	-	1
Total Relief Package		25.0	-	-	-	25

<sup>1</sup> Assumes on-going reduction in Class 4 Gaming due to sinking lid policy & number of host vendors closing.

	Recovery Package					
Moderate: 3 month disruption	4.6	85	52	26	20	187.6
Conservative (Recommended): 6 month disruption	<b>4.6</b>	<b>145</b>	<b>63</b>	<b>32</b>	<b>20</b>	<b>264.6</b>

9. Our assessment of the funding required for the Recovery Package is based on two sources:
- work undertaken by KPMG to liaise with key sector organisations across New Zealand to understand the expected financial impact of Covid-19
  - our own analysis of the main funding streams in the sector and the impact that Covid-19 is having on these:
    - a. Class 4 gaming funding
    - b. TAB funding
    - c. Lotto funding
    - d. Memberships

#### Assessment of funding required

10. The KPMG report (which is attached) indicated that the total net losses across the play, active recreation and sport system were expected to be \$170 million (on a six month disruption scenario in this calendar year).
11. While the KPMG work has been an important input into our analysis we have also conducted our own analysis based on what we know about existing revenue streams (such as Class 4 gaming, TAB betting and membership fees) to sense check the findings of the KPMG work. This is set out in more detail in Appendix 1 and supports the conclusions of the KPMG work.
12. Our assessment is that \$264.6 million of additional funding over four years is required for the Recovery Package to support the system to recover from, and adapt to, the impact of Covid-19.

#### *Funding framework for the Recovery Package*

13. A funding framework has been developed to underpin the Recovery Package (and Relief Package). This framework sets clear Investment Outcomes that provide an overarching framework to guide the assistance provided. The three Investment Outcomes that the Recovery Package is intended to achieve are:
  - Reset and Rebuild - Providing relief, advice and support to help the sector get back on its feet
  - Strengthen and Adapt - Building the capacity, capability and resilience of our sector
  - Different and Better - Re-imagining the future through new approaches, ideas, technologies for improved well-being through play, active recreation and sport

14. Table 2 below sets out our proposed allocation of funding across these three Investment Outcomes and gives an indication of the type of assistance that would sit under each outcome.

*Table 2: Funding framework for the Recovery Package*

<b>Investment Outcome</b>	<b>Type of fund or assistance that could sit under this outcome</b>	<b>Allocation of funding</b>
Reset and Rebuild	Community resilience fund (e.g. to help local and regional active recreation and sport organisations to make the changes required to operate successfully in a post-pandemic environment)  Elite sport resilience fund (e.g. to cover any assistance provided for professional franchises and any additional costs from HPSNZ).	30% (\$79.38 million)
Strengthen and Adapt	Partner support (e.g. to help strategically important partner organisations to make the changes they need to rebuild strongly such as structural or organisational changes)  New operating model fund (e.g. to support development and implementation of shared services model across organisations or consolidation of existing organisations)  Māori cultural capability sector fund (e.g. to support current investment partners to increase and develop their Māori cultural capability to enable tangata whenua to participate and succeed as themselves). Including the expansion of He Oranga Poutama to reach into all Māori communities in NZ.  High performance initiatives to support performance at the Tokyo Olympics and beyond (Performance Pods and Pathway Development)	40% (\$105.84 million)
Different and Better	Activation funds to support innovative ways to create physical activity opportunities for New Zealanders with a focus on priority groups (e.g. those with disabilities, Māori, from low socio-economic groups, women and girls etc). Could involve partnering with non-traditional organisations.	30% (\$79.38 million)

15. The initial funding allocation set out in Table 2 is indicative of the fact that we expect the bulk of the short-term relief for the sector to come from the Relief Package (funded from within Sport NZ and HPSNZ baselines and reserves).
16. We expect that the Recovery Package will have more of a focus on supporting those organisations who have weathered the immediate financial issues posed by Covid-19 to adapt to the changing environment and take advantage of the opportunities that present themselves in the post-pandemic world (i.e. Strengthen and Adapt).
17. Another important part of the Recovery Package will be to encourage and stimulate innovation in the provision and support of physical activity opportunities for New



Zealanders, particularly those from the more disadvantaged parts of our society. Having a dedicated investment outcome of 'Different and Better' with funding specifically tagged to it ensures that these opportunities will not be overlooked.

18. As our knowledge and understanding of the post-pandemic environment improves, these funding allocations will need to be reviewed. The proposed funding framework provides clarity about the outcomes that we are seeking to achieve, while retaining enough flexibility to ensure assistance provided through the Recovery Package can adapt as our knowledge and understanding improves.
19. Our approach means the Investment Outcomes remain fixed but the means by which we may achieve the outcome (i.e. the specific funding mechanism used) may change depending on the specific situation and the particular needs of each organisation.
20. The nature of the assistance provided (e.g. contestable fund, cash advance, quick support grant etc) would be driven by the purpose that the funding was for and the needs of the specific organisation. This should enable a more tailored approach to providing financial assistance where the specific type of funding provided is tailored to the needs of each organisation rather than a one-size fits all approach.

### **Scope of the Recovery Package**

21. The proposed scope of the Recovery Package is on:
  - existing investment partners (e.g. NSO's, RST's, NZOC and Paralympics NZ)
  - organisations in the wider system (over and above those within the investment partners network), and specifically including Māori organisations
  - addressing the loss of revenue from Class 4 gaming funding and sport betting (may yet be removed if this is addressed via DIA work)
  - relief and recovery support for professional sports clubs (discussed further below)
22. Other design features of the proposed package, such as some key parameters and criteria, are set out in Appendix 2.

### **Possible support for professional sports clubs**

---

23. You recently asked us to provide some advice on whether any government support should be provided to New Zealand-based professional sports clubs (e.g. NZ Warriors, NZ Breakers, the Phoenix and Super Rugby Clubs). We are providing you with a separate report that outlines the work that has been carried out and the options that exist for providing the support that may be necessary. The financial support requested by these professional sports clubs is currently built into the above Recovery package.
24. As this separate report outlines, New Zealand Rugby, Netball New Zealand and

Recovery Package for the play, active recreation and sport system  
New Zealand Football have requested urgent assistance of \$4.6 million<sup>2</sup> to support their Professional Clubs. This figure represents the minimum financial support to ensure these Professional Clubs remain viable until 1 July 2020 when the wider recovery package should kick in (the medium - longer-term needs of these professional clubs are also in scope for future assistance from the Recovery Package).

25. Should you wish to provide the urgent assistance requested, then we would recommend funding this via an additional \$4.6 million to be provided through the Recovery Package in the 2019/20 financial year.

### **We will submit a reshaped Water Safety Budget bid to the revised Budget 2020 process with a cost of \$62.6 million over four years**

---

26. Sport New Zealand submitted three budget bids as part of the Budget 2020 process in late 2019. These included one cost pressure bid, and two bids for new spending (one for securing and strengthening frontline water safety rescue and prevention services and one for inspiring New Zealanders through investment in significant and valued sports).
27. Last week you agreed that the relevant parts of the previously submitted Water Safety Budget bid should be submitted for funding in the proposed process for Covid-19 related funding for the 2020/21 financial year [‘Overview of Sport NZ and HPSNZ response to Covid-19 and proposed funding streams’ paper].
28. The total value of the reshaped Water Safety Budget bid is \$62.6 million over four years. We will submit this to the Treasury by the deadline of 24 April for consideration as part of the revised Budget 2020 process.

### **Recommendation**

---

1. It is recommended that you:

- a. **Note** that the Sport NZ Group has developed a Recovery Package to support the play, active recreation and sport sector to recover from the impact of Covid-19.

**Noted**

- b. **Agree** that a Recovery Package Budget bid for funding of \$260.4 million over four years be submitted to Treasury by 24 April for consideration in Budget 2020.

**Agree / Disagree**

- c. **Note** that the Recovery Package includes \$4.6 million for the urgent assistance requested by New Zealand Rugby, Netball New Zealand and New Zealand Football to support their Professional Clubs to remain viable until 1 July 2020 when the wider recovery package should become available.

---

<sup>2</sup> Of the \$4.6 million, New Zealand Rugby would receive \$1.25 million, New Zealand Netball \$2.35 million and New Zealand Football \$1 million to support their Professional Clubs.

- d. **Note** that you are receiving a separate report on professional clubs which will seek your decision on whether to provide support for these clubs and our funding request for the Recovery Package will be amended as necessary to reflect your decision.

**Noted**

- e. **Note** that Sport NZ's existing 2020 Budget bids were withdrawn from the Budget process in March 2020 in anticipation of a revised approach to Budget 2020 considering the impact of the COVID-19 pandemic and associated lock-down measures.

**Noted**

- f. **Note** that the frontline water safety rescue and water safety leadership and capability components of the original water safety Budget bid with an associated cost of \$62.6 million over four years remain a priority and will be resubmitted to Treasury by 24 April for consideration as part of Budget 2020.

**Noted**

Peter Miskimmin  
Chief Executive

Hon Grant Robertson  
Minister for Sport and Recreation

**CONTACT NAMES** (for further discussion)

Name	Role	Telephone	1 <sup>st</sup> Contact
Alice Hume	Manager Policy	section 9(2)(a)	✓
Peter Miskimmin	Chief Executive Sport NZ	section 9(2)(a)	

## Appendix 1 – Assessment of funding required for the Recovery Package

29. In addition to the KPMG analysis of the financial impact of Covid-19 on the play, active recreation and sport sector, we have also conducted our own analysis. We have used what we know about existing revenue streams (such as Class 4 gaming, TAB betting and membership fees) to sense check the findings of the KPMG work.

### *Class 4 Gaming*

30. Class 4 Gaming is a major funding stream for community sport clubs in particular which has been significantly impacted by the inability of patrons to access gaming machines hosted within pubs and clubs. This impact is also likely to be felt under Alert Levels 3 and 2 due to restrictions and physical distancing requirements.
31. Based on an expected revenue stream to the sector from Class 4 Gaming of \$170 million per annum, the following assumptions have been applied:
- 0% revenue during the lockdown month, estimated 2 weeks of Alert Level 3 & month following (community trusts have to rebuild reserves levels before distributing revenue again) - \$35 million lost revenue (100% reduction for 2.5 months at \$14.1 million per month)
  - 50% reduction in revenue whilst physical distancing restrictions still in place - \$21 million total (50% reduction for an estimated further 3 months at \$14.1 million per month)
  - estimated 10% reduction long-term assuming some 'hosts' of gaming machines will permanently close (sinking lid policies mean these cannot be replaced) - \$10 million loss for remainder of 2020/21 financial year once restrictions ease with estimated \$17 million reduction annually thereafter (10% of \$170 million)
32. These assumptions provide an estimate of a total reduction of \$66 million in funding from Class 4 gaming for the 2020/21 financial year with an ongoing reduction of \$17 million per year thereafter.

### *TAB betting revenue*

33. The TAB financial year is August-July. Over full year the TAB forecasts that it will have paid out about \$6m in commission to NSOs (50% of previous year's commission). We estimate lost income of \$6 million (50% of previous years total commission) from sports betting between August 2019 and July 2020 with a further loss of \$3.5 million (70% loss of pre covid-19 monthly commission of \$1m) between August 2020 and December 2020. This makes a total loss of income of \$9.5 million.

### *Winter sports membership fees*

34. At grass roots level, club memberships provide a significant revenue stream to meet costs and, across many sports, subsidise regional and national organisations.
35. There are estimated to be 1.257 million club memberships across our NSO partners with total memberships valued at \$174.983 million, based on an average membership price of \$100 per child and \$200 per adult.

36. Across our winter codes where we expect club memberships to be most affected, there are estimated to be 886,827 club memberships with total memberships valued at \$121.682 million, based on an average membership price of \$100 per child and \$200 per adult.
37. Assuming a best case scenario that allows a 6 week window for the resumption of winter codes and proportional membership fees at 50%, the total impact is estimated to be \$60.841 million. Worst case, there would be no winter codes played in 2020 with a 100% loss of this revenue totalling \$121.682 million.

*Analysis*

38. Based on the assumptions above we can expect to see a reduction of \$164.3 million in revenue for the sector from Class 4 gaming, TAB and winter sports membership fees alone. The KPMG analysis indicates an estimated loss of a further \$181.3 million in revenue from commercial sponsorships and broadcasting making a total loss of revenue of \$345.6 million (see Table 2 below).

*Table 2: Major revenue streams into the system*

Revenue Stream	At Risk \$m	6mth - Forecast Loss to June21 \$m
Commercial Sponsorships & Broadcasting	306.2	181.3
Class 4 Gaming	170.0	94
TAB betting	10.0	9.5
Membership fees for winter sports	121.7	60.8
<b>Total</b>	<b>607.9</b>	<b>345.6</b>

39. We recognise, as does the KPMG report, that there will be cost reductions as well as revenue losses but even with these cost reductions the net impact on the sector will be very significant.
40. As a sense check of the KPMG analysis we estimated the likely revenue loss across the system and associated cost savings. As set out in Table 3 below, even if cost savings of 25%<sup>3</sup> are seen across the entire system then the net loss for the system would be \$193.7 million (i.e. more than the KPMG estimate of \$170 million).
41. While this calculation is only an estimate it does suggest that the KPMG work is unlikely to overestimate the impact on the sector.

*Table 3: Estimated net loss across the system*

A	B	C	D	E	F	G
Revenue across the system (from	Lost revenue (from Table 2)	Remaining revenue (A-B)	Costs (assumed to be same as revenue	Cost savings of 25% across	Remaining costs (D-E)	Net loss for system (C-F)

<sup>3</sup> It is important to note that while significant cost savings have been possible in some larger organisations, smaller local organisations which may not have been well represented in the KPMG work are likely to find it much harder to make the same level of cost savings.

Recovery Package for the play, active recreation and sport system

	Table 2)			across system)	system		
\$\$m	607.9	345.6	262.3	607.9	151.98	456.0	193.7

Proactively released under Sport NZ's commitment to Open Government

## Appendix 2 – Design features of the Recovery Package

### Parameters and Criteria for the Recovery Package

#### Parameters

1. We have developed certain parameters that would apply to the Recovery Package and these are set out below.
2. The Recovery Package will not include:
  - the development and build of infrastructure/new facilities
  - physical activity campaigns or other indirect support (these are captured through our wider Response Plan and related operating budget).
3. The Recovery Package will include:
  - new organisations we don't currently partner with, as well as existing partners
  - high performance funding as required (including support for professional franchises as required)
  - one off & baseline funding
  - returning facilities to pre-Covid-19 state/mitigating impact of Covid-19 as required.

#### Criteria

4. The specific criteria for organisations receiving funding through the Recovery Package will develop further as the specific funding mechanisms develop but will include factors such as:
  - Organisations seeking assistance must:
    - demonstrate their commitment to Te Tiriti o Waitangi and Treaty principles of Partnership, Protection and Participation
    - be accessing other support available to them (e.g. the government wage subsidy)
    - demonstrate they have appropriate business processes in place (e.g. good governance/financial management)
  - Process will be fair and impartial (although the outcome may not be equitable – some sectors/organisations may receive more funding than others)
  - We may offer specific activation funding to organisations that can activate kaupapa Māori wellbeing frameworks
  - Process will reflect our commitment to Te Tiriti o Waitangi and the Treaty Principles.

## **Appendix One: Extracts Covid 19 Daily and Weekly emails to the Minister for Sport and Recreation**

Your request asked for correspondence between the Minister for Sport and Recreation and Sport NZ regarding the KPMG report. This work was undertaken by Sport NZ as the Crown Agency responsible for Sport and Recreation in New Zealand.

As such I received a number of communications in reference to the development of the KPMG report in weekly updates and briefings. Below are the extracts from draft letters, updates and briefings:

### **20-03-13 Sport NZ COVID-19 daily update to the Minister for Sport and Recreation 13 March 2020 [EMAIL]**

Work is underway to look at an operational readiness and scenario planning workshop / webinar for the sector to access, run by KPMG. In addition, template / best practice guidelines for business continuity and pandemic plans are intended to be available on the Sport NZ website for the sector to customise for their own organisation / activity.

### **20-03-17 Sport NZ COVID-19 daily update to the Minister for Sport and Recreation 17 March 2020 [Email]**

Sport NZ has contracted KPMG to assess the financial implications of COVID-19 on the sports sector. This work has commenced and the first phase covers those sports immediately impacted by travel restrictions and international sport cancellations.

### **Extract from draft Letter to Netball NZ sent by Sport NZ to Minister's office 30 March 2020 [draft letter]**

I am pleased to hear that you are working with KPMG and Sport NZ to provide them with information about the financial impact on netball.

### **20-04-03 Sport NZ COVID-19 Weekly update to the Minister for Sport and Recreation 3 April 2020 [Email]**

We are continuing to work with KPMG and the sector to identify immediate financial impacts and will work with MCH and the Treasury to prepare a recovery package for the sector for consideration in the Budget 2020 process. We expect to seek your feedback on this within the next 2 weeks.

### **Briefing for Macroeconomic Group of Ministers: Resetting and Revitalising the play, active recreation and sport system in New Zealand 1 May 2020 [briefing]**

Sport NZ also commissioned KPMG to work directly with sport and recreation organisations across New Zealand to analyse the financial impact of Covid-19.

### **Aide memoire: Immediate impact on the Sport and Recreation Sector 27 March 2020 [Aide memoire]**

Sport NZ has commissioned KPMG to undertake some financial analysis to determine the financial impact on our sector. In the first instance, they will focus on the NSOs that have been identified as most affected by the cancelling of international, national and pro-league events. Particularly in relation to loss of broadcasting and ticket sales, sponsorships and sport betting revenues. The second phase will be to look more broadly at the wider sector. This work will support Sport NZ to develop a recovery package for the play, active recreation and sport sector.



**Overview of Sport NZ and HPSNZ response to Covid-19 and proposed funding streams 9 April 2020 [Briefing]**

Sport NZ have separately commissioned KPMG to assess the financial impact of Covid-19 on the New Zealand play, active recreation and sport system. As part of this work, KPMG are gathering information from some of the Professional Clubs listed above. Sport NZ will ensure all information provided by KPMG relating to the Professional Clubs in scope of this project will be provided to Steve and will put Steve in direct contact with KPMG so he can follow up directly with any questions or clarifications.

Released under Sport NZ's commitment to Open Government