

Statement of Intent

2004/5



Our mission is to be recognised by 2006 as world leading in our approach to sport and physical recreation measured by:

- > **Being the most active nation**
- > **Having athletes and teams winning consistently in events that matter to New Zealanders**
- > **Having the most effective sport and physical recreation systems**

VISION

All New Zealanders have a right to enjoy participating and reaching their potential in sport and physical recreation, are proud of their own active healthy lifestyles, and are proud of their achievements as a nation in sport.

Kia hiwa rā, kia hiwa rā.
Kia hiwa rā ki tenei tuku.
Kia hiwa rā ki tērā tuku.
Kia tū, kia toa, kia mataara!

Tihei mauri ora.

He mihi atu tēnei ki ngā maunga tapu me ngā marae maha o te motu o Aotearoa-whānui.

Tēnā koutou katoa.

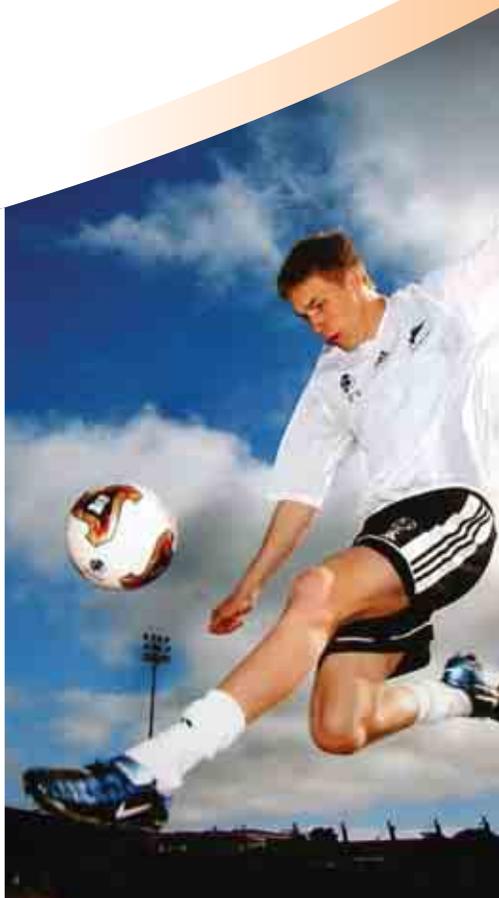
Kei te poroporoaki ki ngā tini aituā kua whetūrangitia, kua haere atu ki te pō, moe mai, moe mai, moe mai i tē moenga roa.

Kei te mihi atu ki a tātou ngā kanohi ora e noho mai nei ki runga i tēnei whenua ātaahua. Nō reira, e ngā mana, e ngā reo, rau rangatira mā, tēnā koutou, tēnā koutou, tēnā tātou katoa.



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Foreword

Physical activity including participation and success in sport are essential to preserving the quality of life of every New Zealander. Participation in physical activity is important in preventing and reducing the impact of a number of health-related conditions, it contributes to our self esteem and our enjoyment of our surroundings and it brings us together as individuals, families and communities. Sport and recreation organisations throughout New Zealand contribute every day to the development and strengthening of these social ties and networks through the provision of facilities and access to sport and recreation activities.

The sport and recreation sector also adds economic value, contributing significantly to the New Zealand economy. New Zealanders' enjoyment of, and participation in, sport and recreation are part of our distinct identity and help to define who we are as a people. In this way, our love of sport and recreation supports trade and tourism, promotes brand identity, and highlights the great recreational opportunities available in New Zealand.

The government invests in physical activity and sport to deliver improved outcomes for all New Zealanders and to gain the benefits outlined above for the nation. Contained in this document are the initiatives that SPARC (Sport and Recreation New Zealand) will deliver in 2004/05 to contribute to meeting these key goals. A priority for the government will be to increase the levels of physical activity of all New Zealanders to address health concerns such as growing rates of obesity, and to support our athletes and sports teams to achieve at the international level. This Statement of Intent lists a series of performance measures, which will enable the progress of SPARC towards these outcomes to be monitored.

I look forward to a challenging and successful year for SPARC and the sport and recreation sector.

John Wells

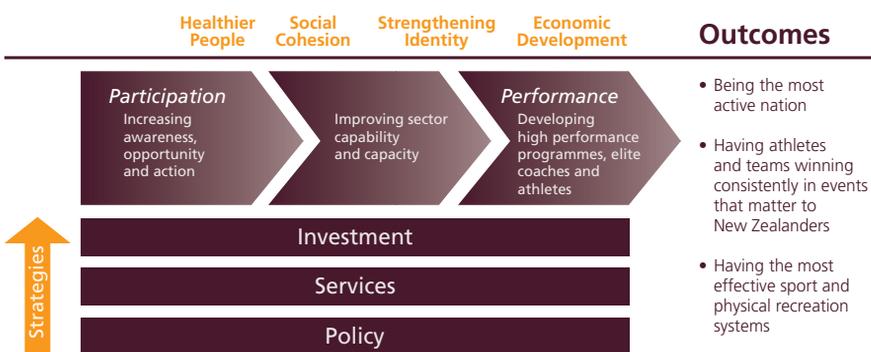
Chairman
Sport and Recreation New Zealand

Summary

SPARC has prepared this Statement of Intent in accordance with section 34A of the *Public Finance Act 1989*. The document provides an outline of what SPARC plans to accomplish over the next three years and detail on how these achievements will be measured, and explains how this will make a difference to New Zealanders. The document also highlights key areas of expenditure and effort in 2004/05.

SPARC’s mission states clearly what the organisation seeks to achieve in terms of delivering improved physical activity and sport outcomes. The organisation invests in a range of organisations, delivers services and develops policy which is specifically targeted at:

- Being the most active nation
- Having athletes and teams winning consistently in events that matter to New Zealanders
- Having the most effective sport and physical recreation systems.



SPARC has already made important progress towards achieving its mission. Key milestones to date include a new investment policy for sport with an increased investment pool, establishment of a governance and management programme, assessment of organisations’ capability and high performance programmes, and a revitalisation programme for sector organisations. SPARC has also introduced the \$10 million *Active Communities* programme, along with initiatives to help communities plan for more effective delivery of sport and physical activity. A new investment and contracting policy for regional sports trusts has been launched. A comprehensive policy approach for education is under development, with key initiatives in early childhood, primary and secondary schools under action. Finally, a solid empirical basis for a *Push Play* social marketing campaign has been laid with the significant psychographic research study *Obstacles to Action* completed this year.

In 2004/05 SPARC will build on these achievements. SPARC will introduce new programmes and services designed to target specific goals and outcomes. SPARC will focus on seven key initiatives that contribute directly to the achievement of the mission. These initiatives have been designed to address significant areas of concern such as: declining levels of activity among children and young people; poor uptake and inconsistent standards of coaching; variable capability and capacity in the sport and recreation sector; and lack of financial support for elite athletes.

The above diagram provides an easy reference to what SPARC plans to accomplish. The remainder of the document presents a more comprehensive picture of how SPARC intends to achieve these goals.

Operating Environment

SPARC was established under the *Sport and Recreation New Zealand Act 2002* on the recommendation of the *Ministerial Taskforce on Sport, Fitness and Leisure (2001)*. The role of the organisation is to promote, encourage and support physical activity and sport in New Zealand. This is a challenging mandate, especially given its breadth. However, this task has become even more challenging in recent times. There have been changes in family, social and working environments. These changes have impacted on people's leisure time and physical activities. For example, technological developments and transportation issues across urban and rural areas are contributing to inactivity, and reduce the time people have to commit to other pursuits. Worse still, many of our young people are failing to either develop fundamental movement skills or adopt healthy active lifestyles. The following section provides a brief overview of pressure points and areas in need of immediate attention.

DECLINING PHYSICAL ACTIVITY LEVELS

In recent times physical activity rates have declined. Particularly worrying patterns are emerging among young people. There are also concerns with the participation of Māori, women, people with disabilities and Pacific peoples. Recent data from the New Zealand Sport and Physical Activity Surveys (SPARC 2003) and other studies indicate the following:

- 66 percent of young people were active in 2000/01 in comparison to 69 percent in 1997/98, while the proportion of young people who are sedentary (no activity within the last two weeks) has increased from 8 percent in 1997/98 to 13 percent in 2000/01
- Activity levels among Māori and Pacific young people have declined between 1997/98 and 2000/01
- Women are less active than men throughout their lifespan, especially from 25 to 34 years of age
- People with disabilities have lower participation rates and perceive barriers to their involvement in physical activity and sport
- Only 39 percent of adults are active for 30 minutes a day on five or more days a week (these people most closely meet the physical activity guidelines in terms of being regularly active)
- Adults' activity levels have increased from 67 percent in 1997/98 to 70 percent in 2000/01. However, almost 60 percent of New Zealanders do not meet the recommended level of at least 30 minutes of moderate intensity activity a day.

These apparent trends are concerning given that they are occurring in an environment that features substantial health promotion initiatives and extensive support of sporting codes.

OBESITY AND DIABETES

The twin epidemics of obesity and diabetes are now affecting both developed and developing countries worldwide. These epidemics are thought to be largely due to the rapid changes in human lifestyles over the last century, which have led to physical inactivity and unhealthy diets (National Health Committee 1998). Approximately 3.7 percent of New Zealanders have diabetes. Māori and Pacific peoples are more than twice as likely to have diabetes than non-Māori or non-Pacific peoples (Ministry of Health 1999). There has been a 50 percent increase in adult obesity in the last decade (Ministry of Social Development 2003). 19 percent of men and 21.2 percent of women in New Zealand are obese (Ministry of Health 2003). For Māori, 27 percent of men

and 27.9 percent of women are obese. In the Pacific Island community 47 percent of women and 26 percent of men are obese. In the late 1990s New Zealand ranked fourth out of fifteen countries in the rate of obesity in the adult population (OECD 2002).

RISK MANAGEMENT

In 2003/04 the issues of legal liability and risk management were thrown into close relief with an event organiser being found guilty under the *Crimes Act 1961* for criminal nuisance. This and other high profile prosecutions have raised anxiety levels among event organisers and other people working in the sport and recreation sector and led to the cancellation of some sports events and activities. While SPARC has taken action to address some of these concerns, preparing advice on aspects of legal liability, developing a risk management standard and preparing a discussion paper on issues for event and activity organisers, there is the potential for more events and activities to be cancelled. Clearly a reduction in events and activities is likely to impact on physical activity and sport participation levels.

COMPETITIVE HIGH PERFORMANCE ENVIRONMENT

The international high performance environment is increasingly competitive. International sport has developed rapidly over the last decade with more money involved, higher standards and professionalism being the norm. Further, there are a growing number of international competitors in elite events such as World Championships, Olympic and Commonwealth Games. Despite this challenge, New Zealanders believe winning in international events is important. It creates a strong sense of national identity and pride. Although New Zealand still remains an internationally competitive sporting country over a wide range of sports, it is evident that our competitors are committing substantial and increasing amounts of time and money. New Zealand is in danger of lagging behind as the international sporting world moves ahead more rapidly than our capacity to cope.

Challenging targets have been set for New Zealand athletes and teams to achieve at the Melbourne Commonwealth Games in 2006 and the Beijing Olympics in 2008. The results achieved at the 2004 Athens Olympic and Paralympic Games by the New Zealand Team will set a benchmark on which to increase our competitiveness over the next four years. As a nation, we will continue to strive for success. However, talent alone is no longer enough to win. Recognising that there are finite resources available means that the continuation of a targeted support strategy is necessary. In this regard, SPARC will concentrate on 7 'priority' and a further 10 'performance' sports. This will ensure resources are focused and channelled into supporting those sports where athletes and teams have demonstrated the potential to win in events that are important to New Zealanders.

VOLUNTEERS

Volunteers make a significant contribution to the sport and recreation sector. The sector is dependent on the unpaid labour of approximately 500,000 volunteers. Adults who volunteer as coaches, referees, administrators, or assist with other organisational duties have risen in number from 19.6 percent in 2000 (BERL 2000) to 27 percent in 2003 (SPARC 2003). However, many sports report a shortage of volunteers as increasing demands on people's spare time place a strain on availability and commitment to volunteer work. The recruitment and retention of volunteers is a major concern across the sport and recreation sector, as is risk management associated with volunteer work. A lack of sufficient volunteers poses a real threat to the continuation of organised sport and physical activity.

SPARC alone does not have the capacity to make a significant impact on all of these issues. Coordinated action across a range of sectors is required to turn around negative trends

and to maximise the positive benefits of physical activity and sport. In this regard, SPARC seeks to work in partnership with government agencies, national sport and recreation organisations, regional sports trusts, territorial authorities and individual stakeholders.

TREATY OF WAITANGI

SPARC recognises the importance of a partnership between Māori and non-Māori under the Treaty of Waitangi. The organisation seeks to develop a common understanding and ensure the needs of Māori are provided for across the whole sector.

SPARC has a particular focus on improving sport and physical activity outcomes for Māori and thereby improving participation rates to at least match the norm for the New Zealand population.

Key strategies include:

- Ensuring that SPARC understands the needs of Māori and is equipped with the knowledge and skills to incorporate Māori culture in the sport and recreation sector
- Strengthening the ability of national sport and recreation organisations and regional sports trusts to ensure the needs of Māori are provided for
- Enhancing the *He Oranga Poutama* programme
- Promoting the benefits of physical activity in reducing the impact of obesity and diabetes.

CONTRIBUTING TO SHARED OUTCOMES

It is also important to note the broader impact of physical activity and sport. Participation in physical activity and sport creates value that extends well beyond the sport and recreation sector. Improving physical activity levels, developing effective sport and recreation systems in communities, and participating in sports events, all play a role in improving the social and economic well-being of New Zealanders. In this regard, the work of SPARC contributes to the health and identity of New Zealanders, as well as community and economic development. SPARC seeks to collaborate with other government agencies to deliver wider objectives for the whole of government. These shared outcomes are discussed in more detail below.

Health

The health benefits of physical activity are beyond question. There is a wealth of evidence which clearly indicates the value of physical activity as both a protective and a mitigating factor against a range of health disorders. For example, it is a significant contributing factor in reducing cardiovascular disease, in particular ischaemic heart disease, which accounts for 40 percent of all deaths in New Zealand. Physical activity also reduces the risk of some forms of cancer, diabetes, obesity, depression, falls in older people and contributes to a range of improved health outcomes.

Evidence suggests that physical activity could be today's 'best buy' in health (Morris 1994). International analyses on the costs of non-communicable diseases such as obesity have estimated that obesity alone contributes to between 2 percent and 7 percent of total healthcare costs (WHO 1997). Other studies have suggested that physical inactivity costs are similar to the costs associated with the major risk factors such as diet and nutrition-related disease. A New Zealand study (Swinburn et al 1997) estimated that obesity cost the New Zealand economy \$300 million in 1997 and prevalence rates are predicted to increase by 70 percent in the next ten years (Ministry of Health, 2003). Type 2 diabetes costs another \$200 million per annum and is also expected to double among Māori and Pacific people by 2011.

National Identity

Physical activity and sport lie at the heart of New Zealand's identity. New Zealanders' interest in sport is high, with 94 percent interested and/or involved in sport (CM Research 2000). It has been well documented that sport, in particular, has the potential to foster feelings of national pride, which strengthens national identity. Recent market research found that winning or performing well at international sporting events is important to New Zealanders (NFO 2003). Success by New Zealand athletes on the international stage makes a significant contribution to national pride, international exposure and participation rates. Sporting achievements also promote a sense of identity and belonging (Coakley 2001).

Economic Development

Physical activity and sport make a significant contribution to the New Zealand economy. The *Ministerial Taskforce on Sport, Fitness and Leisure* (2001) identified 'immeasurable' societal benefits of sports participation, not to mention \$300 million per annum in sport generated tax payments.

The involvement of New Zealand teams in and the hosting of international events have major spin-offs for the economy. Sport provides a vehicle to reinforce and enhance our brand image, improve the value of traded products and enhance tourism opportunities. For example, international tourists who visited New Zealand to watch or play sport contributed \$120 million to the economy in 1999 (BERL 2000).

Consistent evidence shows that sport and physical activity related industries are experiencing increased demand and growth. In particular, significant increases have been found in the number of people employed in delivering physical activity and sport services, more specifically outdoor adventure leaders, fitness clubs and the manufacturing of sailing boats. Evidence suggests that in some cases a shift has occurred in some segments from volunteer-based occupations to paid occupations (ABS 2003).

Social Cohesion

Physical activity and sport can play an important role in furthering personal and social development for individuals and communities. Sport and recreation clubs are at the core of New Zealand communities drawing individuals together, and providing facilities and access to community services. Approximately one third of all New Zealanders participate in organised sporting activities (SPARC 2003). This activity fosters cooperation and helps strengthen social ties and networks within communities (Sullivan 1998 and New Zealand Institute of Economic Research 2000).

Strategies

There are three key strategies that SPARC employs to deliver the mission and drive change in the sport and recreation sector: (1) investment; (2) services; and (3) policy. These activities represent the core functions of the organisation as outlined in its empowering legislation, the *Sport and Recreation New Zealand Act 2002*. Given the importance of these functions, SPARC has developed a series of principles which govern how the organisation operates in each of these areas and how the strategies are implemented.

INVESTMENT

SPARC's mission will be achieved through strategic investment in the sport and recreation sector and in organisations that are able to increase the participation levels of New Zealanders. Every year SPARC invests more than \$40 million in over 100 organisations, including national sport and recreation organisations, regional sports trusts and territorial authorities. This investment is tied to the delivery of specified outcomes and based on the following principles:

1. SPARC will focus on investing, rather than funding entitlement. Allocation decisions will be made on the likelihood of achieving a return on investment and the ability to contribute to positive outcomes.
2. SPARC investments will be made in the context of sector-wide investment. The goal is to align investment in the sector. SPARC will focus investment in priority areas to maximise the impact of government involvement.
4. Investment decisions will be signalled well in advance to allow organisations to plan and adapt. As part of this process, SPARC will agree to investment agreements covering more than one year for organisations that have sound governance systems and structures.
4. SPARC seeks to enter into partnerships with capable national and regional organisations based on shared interests, compatible policies and a common understanding of objectives and outcomes in the sector.
5. SPARC favours contestability of delivery and will look to invest in a range of organisations who can deliver positive outcomes.

SERVICES

SPARC has developed a range of services and programmes to increase physical activity and support world-class performances. Many of the services targeted at participation have been developed to meet a specific need. For example, in 2004/05 SPARC is rolling out a series of services focused on primary, intermediate and secondary schools to address growing levels of obesity and inactivity among young people.

Current services also have a lasting impact. For example, the *Green Prescription* programme has been shown to be effective in increasing physical activity among overweight and obese patients and has contributed to marked improvements in health status. In the high performance areas, the nutrition and sports science services delivered by the regional network of the New Zealand Academy of Sport are fundamental to developing world-class athletes and coaches.

The principles governing the development of services are:

1. SPARC will promote innovation in the development of services, but all proposals must be informed by evidence-based research.
2. SPARC will prioritise the development of services which target key population groups or groups with the highest levels of need, including Māori, Pacific peoples, young people, older New Zealanders and people with disabilities.
3. All services will be justified on the basis of a business case that demonstrates a return.
4. All services will be evaluated and monitored to ensure that they make a difference and are delivered in an efficient and effective manner.
5. SPARC will provide services where it is most appropriate for it to do so. SPARC will take account of the fact that there are many actual and potential service providers who may be better placed than SPARC to provide services.

POLICY

SPARC is charged with developing and articulating a clear vision for the sport and recreation sector. This was a key recommendation of the *Ministerial Taskforce on Sport, Fitness and Leisure* and work is well under way with the release of the discussion document *Towards an Active New Zealand (2001)*. SPARC has also developed a range of other strategic documents, including *Investing in National Sports Organisations* and *Obstacles to Action*. Five common principles underpin SPARC's policy approach:

1. SPARC seeks to operate at a strategic policy level to ensure programmes and interventions are measured and effective and the sport and recreation sector has clear and objective leadership.
2. SPARC seeks to adopt a whole of government approach that emphasises collaborative and coordinated strategies and partnerships across central and local government and non-government organisations through consultative policy development, advocacy and information sharing.
3. SPARC will consider physical activity and sport in a broad and holistic manner, in particular the value created by people being physically active and participating in organised sport and winning on the world stage.
4. SPARC recognises the importance of the partnership between Māori and non-Māori and will give regard to developing culturally relevant and effective strategies for all New Zealanders.
5. SPARC will advocate for policy change based on strong research and evidence based studies that are specific to New Zealand.

2004/05 Key Initiatives

In 2004/05 SPARC will concentrate on seven key initiatives. These activities represent areas where significant new investment will be made, an expanded range of services will be offered, or policy will be developed to deliver improved outcomes for the sport and recreation sector. These seven initiatives contribute directly to the achievement of SPARC's mission. Implementation will also provide a measure of SPARC's success in 2004/05. Accordingly, they are highlighted in the Statement of Service Performance.

BEING THE MOST ACTIVE NATION

Expanded *Push Play* Campaign

SPARC will invest \$4.47 million in an expanded national physical activity campaign, *Push Play*, in 2004/05. This campaign seeks to raise New Zealanders' awareness of the need for and benefits of physical activity at a moderate intensity for 30 minutes each day. Expansion of the campaign will target key groups whose physical activity levels are low or declining, particularly young people, Māori and Pacific people.

The *Push Play* campaign will also be expanded to focus on the triggers that prompt people to be physically active. SPARC's *Obstacles to Action* research provided a snapshot of why certain groups of people are inactive. For example, encouragement and discouragement among certain segments of the population have a significant impact on their activity levels. SPARC intends to use this research to develop *Push Play* messages and other strategies and programmes to encourage and support increased physical activity in these groups.

The 2004/05 *Push Play* campaign will employ a range of media to ensure it has the widest reach and relevance to the target audiences. Support at a community level with local campaigns and initiatives delivered through regional sports trusts, territorial authorities and schools will also be essential.

Improved Regional Delivery

SPARC will continue to invest in expanding the delivery and reach of quality physical activity and sport programmes across the country. Increased participation in sport and physical activity is dependent on offering attractive and rewarding experiences in all New Zealand communities. SPARC's *Active Communities: Reaching Our Potential Together* provides the overall framework for local initiatives. This framework is also supported by an investment fund of \$8.8 million over the next two years to support and encourage territorial authorities to raise the priority of physical activity in their area. SPARC is also working with regional sports trusts, local government and other stakeholders assisting in the development of physical activity plans for communities in need.

Over the next three years SPARC will also increase its investment in regional sports trusts by \$3 million per year, bringing the total over this period to \$30 million. This investment will ensure that there is a quality regional network to deliver physical activity and sport programmes and services, for example SPARC's *CoachForce*, *Green Prescription* and *He Oranga Poutama* programmes. Support for regional sports trusts will also encourage innovation in the development of community-based initiatives that promote and support physical activity.

Development of Active Schools

Over the next four years SPARC will invest up to \$7.63 million to support physical activity interventions within the education sector. The aim is to improve children's and young

people's well-being through increased physical activity. There is evidence that improving the quality of physical activity experiences in primary and intermediate education settings has a positive and lasting impact. This research highlights the importance of a comprehensive and multi-dimensional approach aimed at: (1) raising awareness of the need for, and promotion of, physical activity; (2) skill development and learning; (3) capability building; and (4) strengthening connections within communities.

Implementation of this initiative will involve six work streams and be undertaken in partnership with the Ministries of Health and Education. This is essential given the synergies between physical activity, nutrition and health. SPARC will develop a curriculum resource and support the professional development of lead teachers so that they are able to provide quality physical activity experiences. SPARC will also support whole-of-school physical activity planning and establish a fund to invest against these plans. Other core components include the promotion of nutrition and the expansion of the SPARC *Ambassador Programme*.

HAVING ATHLETES AND TEAMS WINNING CONSISTENTLY IN EVENTS THAT MATTER TO NEW ZEALANDERS

Investment in Elite Athletes

In 2004/05 SPARC will provide \$3 million worth of direct financial assistance to elite athletes to improve international competitiveness. Financial assistance will take the form of Performance Enhancement Grants (PEGs) for individual sportspeople as well as members of national sports teams. These PEGs are designed to support athletes to dedicate sufficient time to training and improving international rankings. Annual grants will be dispersed, based on an athlete's or team's results at pinnacle events. Eligibility would also be assessed against criteria, including eligibility for Prime Minister's Educational Scholarships. Available data demonstrates a strong association between direct financial support for elite athletes and gold medal performances at the Olympics. A nationwide survey also indicated 80 percent support among the public for such assistance.

HAVING THE MOST EFFECTIVE SPORT AND RECREATION SYSTEMS

Developing a World-Class Coaching Environment

Implementation of the *New Zealand Coaching Strategy* (NZCS) will be a key focus for SPARC in 2004/05. The NZCS provides an integrated framework engaging key stakeholders at national, regional and community levels to deliver a world-class coaching environment. The objectives of the NZCS are to: (1) continually improve the quality of coaching experiences, enabling coaches to achieve their potential; (2) improve the quality of time available for coaches to focus on coaching activities; and (3) enhance the status and recognition of coaches and coaching.

Investment in coaching will be integral to delivering the strategy. SPARC will invest \$1 million in national sports organisations to deliver specific outcomes identified in the NZCS. For example, organisations will be supported to develop programmes which will improve the quality, quantity and recognition of coaches, in particular, establishment of Coaching Director positions to drive coach development.

SPARC is also committed to continually improving the quality of coach education and training. A total of \$1 million per annum has been set aside for the development of coaches through Prime Minister's Professional Development Scholarships.

Expansion of the *CoachForce* programme to develop a network of coaches around the country is a key strategy to implement the NZCS in partnership with regional sports trusts

and national sports organisations. This investment will allow more New Zealanders to experience quality coaching, which in turn adds to their enjoyment and participation in physical activity and sport.

Implementation of the National Policy Framework

Implementation of the national policy framework, *Towards an Active New Zealand*, currently being developed by SPARC will be an important activity in the coming year. The framework is designed to provide an update on New Zealanders' achievement and participation in sport and physical activity, outline what is currently being done to address the issues that limit participation, suggest settings for 'best practice' interventions and possible priority population groups for action, and recommend next steps for developing a work programme to implement the strategy. This will take time and effort across government, the private sector, community organisations and individuals. SPARC will provide leadership to share information, direct efforts and develop new programmes and strategies to increase participation. However, ultimately success will be dependent on a united focus across all stakeholders and the development of effective partnerships.

Increasing Capability

In 2004/05 SPARC will continue to focus on building the capacity and capability of the sport and recreation sector, delivering an expanded range of services. This work follows on from the benchmark assessments of national sports and recreation organisations and regional sports trusts using the capability assessment, leadership and governance reviews undertaken by SPARC in 2003/04. Over the next 12 months targeted solutions will be developed to address a range of strategic and operational areas identified by the assessments. For example, SPARC will work one-to-one with targeted organisations to address a range of human resource issues, including recruitment of senior staff and the development of performance frameworks. SPARC will also assist organisations with the development and monitoring of strategic and annual business plans. The development of a legal resource for sport and recreation organisations covering sports law and legislative compliance issues will be undertaken by SPARC and distributed to the sector. In parallel with this project, SPARC is currently producing guidelines to support compliance with the Risk Management Standard (AS/NZ 4360). Finally, SPARC will offer advice and support in the areas of governance, stakeholder management and business development to identify appropriate sources of revenue.

Delivering Outcomes

SPARC's mission clearly identifies what the organisation seeks to achieve in terms of delivering improved physical activity and sport outcomes. Setting challenging targets requires careful planning and indicators to measure success along the way. The following section outlines how SPARC's ongoing work contributes to the mission, how the work will ultimately make a difference and how to measure that difference.

BEING THE MOST ACTIVE NATION

SPARC's goal is to ensure that most New Zealanders are physically active for more than two and a half hours a week. In achieving this New Zealand is likely to be among the most active nations in the world. However, the rates of physical activity appear to be declining in some population groups, in particular children, young people, Māori and Pacific peoples. Considerable work is required over the next four years to lift the levels of activity of all New Zealanders.

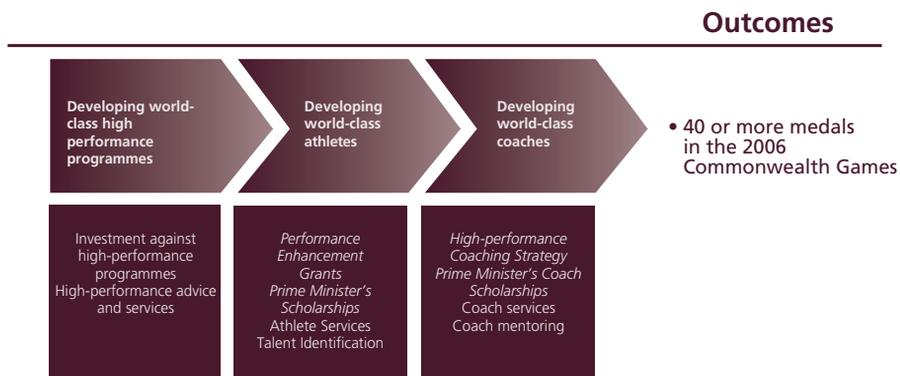


Outcome Measures

- 2004/05** 70 percent or more of adult New Zealanders active as determined by the New Zealand Health Survey
- 2005/06** 72 percent or more of adult New Zealanders active (compared to 68 percent)
43 percent or more of adult New Zealanders active for 30 minutes at least five days per week as determined by the New Zealand Sport and Physical Activity Survey (compared to 39 percent)
- 2006/07** New Zealand is the most active nation as measured by the International Physical Activity Questionnaire (IPAQ)

HAVING ATHLETES AND TEAMS WINNING CONSISTENTLY IN EVENTS THAT MATTER TO NEW ZEALANDERS

SPARC's goal is to have athletes and teams winning events that are important to New Zealanders. To enable this to happen SPARC seeks to create a world-leading high performance environment. Some sports will be able to achieve notable improvements in the short-term, however, the expectation is that the 'performance sports' will deliver improved world rankings and consistently win key events or tournaments after 2006.



Outcome Measures

- 2004/05** 3 or more medals at the 2004 Athens Olympic Games
 15 or more medals at the 2004 Paralympics Games
- 2005/06** 40 or more medals at the 2006 Melbourne Commonwealth Games
 Athletes and/or teams from 10 'performance sports' achieve higher world rankings at key international events in comparison to 2002
- 2006/07** Athletes and/or teams achieve higher world rankings at key international events

HAVING THE MOST EFFECTIVE SPORT AND PHYSICAL RECREATION SYSTEMS

SPARC'S goal is to develop a world-leading sport and recreation environment. This entails developing effective national sport and recreation organisations and regional sports trusts. One area of focus is revitalising the national sport organisations governing athletics, cycling and swimming in New Zealand. There is also room to increase the effectiveness of a range of organisations in the sport and recreation sector. As an outcome measure SPARC is looking to improve the financial management, capability, governance and leadership of these organisations.

Outcomes

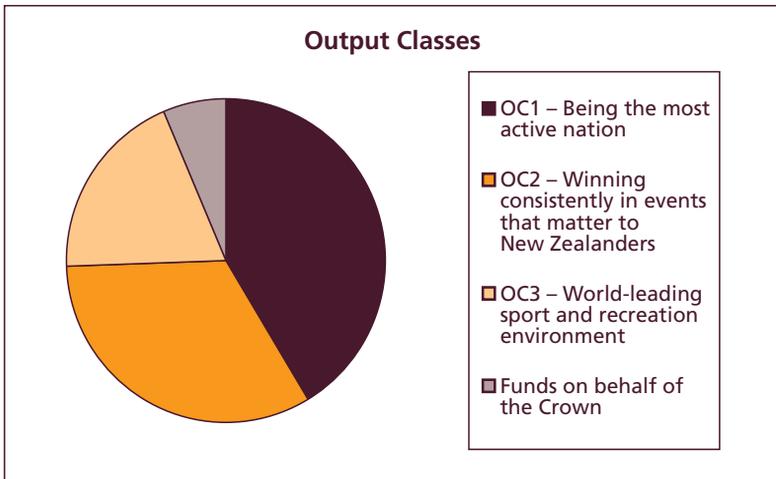
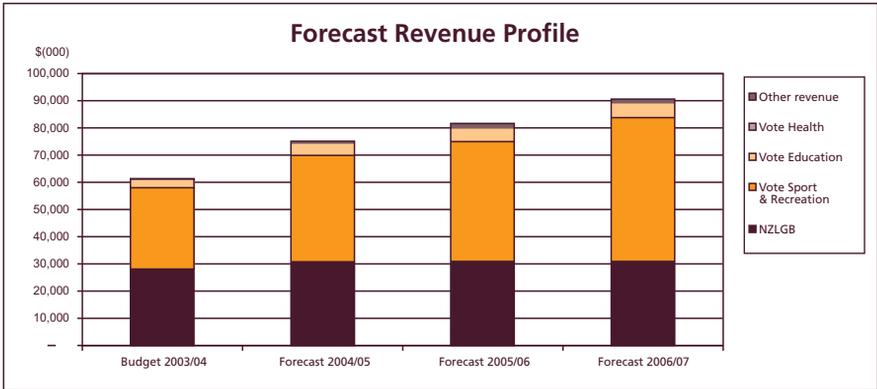


Outcome Measures

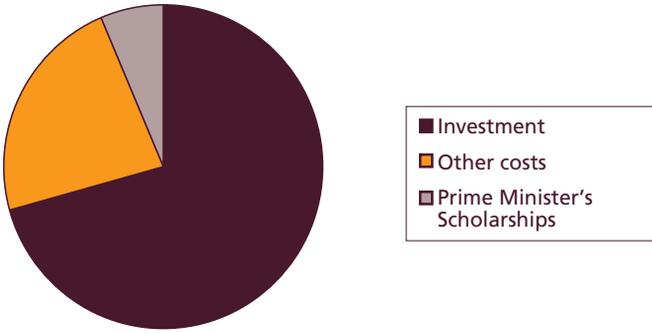
- 2004/05** Regional sport trust reform strategy implemented
- Three revitalisation sports demonstrating improved capability
 - 70 percent of targeted national sport and recreation organisations and regional sports trusts recognised as achieving appropriate levels of capability
- 2005/06** 70 percent of revitalisation sports and regional sports trusts demonstrating improved capability (compared with 2003/04 assessment)
- 2006/07** 70 percent of targeted national organisations and regional sports trusts recognised as achieving appropriate levels of capability (compared with 2004/05 benchmark)

Financial Profile

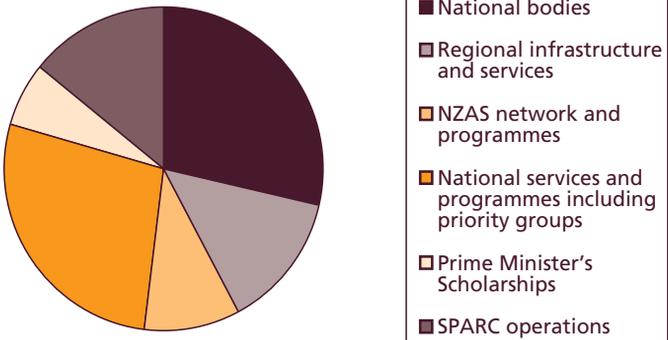
The following tables present an overview of SPARC's revenue and expenditure in 2004/05.



Expenditure Type



Programme Type



Statement of Service Performance

OUTPUT CLASS 1: Being the most active nation

OBJECTIVE	KEY PERFORMANCE INDICATORS
<p>To increase awareness amongst New Zealanders of the need for, and benefits of, regular activity through delivery of a nationwide <i>Push Play</i> campaign</p>	<p>2004/05</p> <ul style="list-style-type: none"> • <i>Push Play</i> campaign with widespread appeal as determined by an independent evaluation is delivered on time and within budget • 68 percent awareness by adult New Zealanders of the need for physical activity (up from 65 percent) • 68 percent of Māori aware of the need for physical activity (up from 65 percent) • 53 percent of Pacific people aware of the need for physical activity (up from 50 percent) • Promotion of <i>Push Play</i> message by all contracted regional sports trusts, revitalisation sports, 50 percent of territorial authorities and schools and 200 commercial organisations <p>2005/06 (ongoing)</p> <ul style="list-style-type: none"> • 70 percent awareness by adult New Zealanders and Māori of the need for physical activity (up from 68 percent) • 55 percent of Pacific people aware of the need for physical activity (up from 53 percent)
<p>To develop strategic partnerships aimed at improving participation opportunities at a community and regional level</p>	<p>2004/05 (ongoing)</p> <ul style="list-style-type: none"> • Investment in, and implementation of, agreed programmes with 10 or more territorial authorities and all contracted regional sports trusts which increase participation and participation opportunities • Development of strategic partnerships and regional physical activity plans with five regions

(continued next page)

Output Class 1 continued:

OBJECTIVE	KEY PERFORMANCE INDICATORS
To increase participation within priority target groups	<p>2004/05</p> <ul style="list-style-type: none"> • 48 percent or more of <i>Green Prescription (GRx)</i> patients more active six to eight months after receiving a <i>GRx</i> • Delivery of increased physical activity opportunities by all schools contracted through the <i>Sportfit</i> programme • Adoption of Junior Sport Strategy by seven priority sports, three revitalisation sports and all contracted regional sports trusts • Adoption of <i>Active Movement</i> by four key early childhood organisations • 1 percent increase in physical activity levels of young people • 3 percent increase in physical activity levels of Māori and Pacific people <p>2005/06 (ongoing)</p> <ul style="list-style-type: none"> • 72 percent or more of adult New Zealanders active as determined by the New Zealand Sport and Physical Activity Survey (compared to 68 percent) • 43 percent or more of adult New Zealanders active for 30 minutes at least five days per week as determined by the New Zealand Sport and Physical Activity Survey (compared to 39 percent)

Output Class Allocation	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
Output Class 1 – Being the most active nation					
Investment	17,696	17,461	22,651	26,489	31,107
Other Costs	8,672	8,273	9,514	9,990	10,682
Total Output Class 1	26,368	25,734	32,165	36,479	41,789

OUTPUT CLASS 2: Winning consistently in events that matter to New Zealanders

<p>OBJECTIVE</p> <p>To support sports with the greatest potential to succeed in international events important to New Zealanders</p>	<p>KEY PERFORMANCE INDICATORS</p> <p>2004/05</p> <ul style="list-style-type: none"> • 20 performance sports score more than 40 percent and five score more than 60 percent on the High Performance Assessment Tool (HPAT) • 90 percent of performance sports are satisfied with the value provided by NZAS Performance Directors as determined by annual survey (ongoing) • Implementation of the recommendations of SPARC's talent identification strategy by 25 percent of sports receiving performance investment <p>2005/06</p> <ul style="list-style-type: none"> • 20 performance sports score more than 45 percent and eight score more than 60 percent on the HPAT • Implementation of the recommendations of SPARC's talent identification strategy by 35 percent of sports receiving performance investment <p>2006/07</p> <ul style="list-style-type: none"> • 20 performance sports score more than 50 percent and 10 score more then 60 percent on the HPAT • Implementation of the recommendations of SPARC's talent identification strategy by 45 percent of sports receiving performance investment
<p>OBJECTIVE</p> <p>To develop world class coaches</p>	<p>KEY PERFORMANCE INDICATORS</p> <p>2004/05</p> <ul style="list-style-type: none"> • 10 performance sports (50 percent) have detailed, documented, elite coach succession plans • 40 or more Prime Minister's Scholarships for professional development awarded to achieve the development objectives (ongoing) • Retention of 60 percent of carded coaches <p>2005/06</p> <ul style="list-style-type: none"> • 12 performance sports (60 percent) have detailed, documented, elite coach succession plans • Retention of 70 percent of carded coaches (ongoing)

(continued next page)

Output Class 2 continued:

	<p>2006/07</p> <ul style="list-style-type: none"> 15 performance sports (75 percent) have detailed, documented, elite coach succession plans
<p>OBJECTIVE</p> <p>To develop world class athletes</p>	<p>KEY PERFORMANCE INDICATORS</p> <p>2004/05 (ongoing)</p> <ul style="list-style-type: none"> 80 percent of carded athletes report services provided by the <i>New Zealand Academy of Sport</i> have positively impacted on their training environment and sporting performances as determined through the annual satisfaction survey 400 Prime Minister’s Scholarships awarded to athletes 250 or more athletes qualify for and are allocated a Performance Enhancement Grant (PEG)

Output Class Allocation	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
Output Class 2 – Winning consistently in events that matter to New Zealanders					
Investment	18,015	17,561	21,500	23,388	24,388
Other Costs	3,755	3,668	4,084	4,223	4,363
Total Output Class 2	21,770	21,229	25,584	27,611	28,751

OUTPUT CLASS 3: Most effective sport and physical recreation systems

OBJECTIVE

To support the development of capable and effective people and organisations

KEY PERFORMANCE INDICATORS

2004/05

- Provision of revitalisation support to three national sports organisations and three to five regional sports trusts
- Implementation of governance/leadership programme across 70 percent of targeted national sports and recreation organisations and regional sports trusts (ongoing)
- Delivery of quality business solutions to national sports and recreation organisations and regional sports trusts to improve capability (ongoing)
- Recruitment of 15 dedicated coaching directors by performance and participation sports
- Completion of the *CoachForce* pilot by at least three national sports organisations

2005/06

- Completion of capability assessment by 10 targeted national sports organisations
- Implementation of new coach education and development programme
- Six national sports organisations and 10 regional sports trusts deliver effective *CoachForce* programmes as assessed using the *CoachForce* assessment tool

2006/07

- 25 performance and participation sports have dedicated coaching directors
- 10 national sports organisations and 10 regional sports trusts deliver effective *CoachForce* programmes
- Retention of 70 percent of coaches that have undertaken the coach education and development programme

Output Class 3 continued:

<p>OBJECTIVE</p> <p>To improve the capacity of the sport and recreation sector</p>	<p>KEY PERFORMANCE INDICATORS</p> <p>2004/05 (ongoing)</p> <ul style="list-style-type: none"> • Implementation of the government's Major Events Strategy • Investment in the hosting of international sporting events in New Zealand • Development of a sector funding framework and profile
<p>OBJECTIVE</p> <p>To develop a regulatory environment for the sport and physical activity sector</p>	<p>KEY PERFORMANCE INDICATORS</p> <p>2004/05 (ongoing)</p> <ul style="list-style-type: none"> • Implementation of the national policy framework in partnership with key government agencies and non-government organisations • Passage of the New Zealand Sports Drug Agency Amendment Bill • Resolution of sports disputes by the Sports Disputes Tribunal of New Zealand • Undertake the <i>SPARC Facts 2005/06 Survey</i> to measure physical activity rates of New Zealanders utilising the validated long form questionnaire

Output Class Allocation	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
Output Class 3 – Most effective sport and physical recreation systems					
Investment	5,938	6,023	10,545	10,545	10,545
Other Costs	3,727	3,441	4,192	4,201	4,305
Total Output Class 3	9,665	9,464	14,737	14,746	14,850

Organisational Health and Capability

As a Crown Agent it is important that SPARC demonstrates accountability and value for money in the performance of core functions and quality corporate practices. A series of accountability mechanisms are in place to monitor SPARC's performance. The production of an annual Statement of Intent in accordance with the *Public Finance Act 1988* is a key deliverable, as is the preparation of an Annual Report for the Minister for Sport and Recreation on operations during the preceding year. The accounts of SPARC are audited and a report prepared by Audit New Zealand. SPARC also appears before the Government Administration Committee to answer questions on its financial and operational performance after the Annual Report is published. Finally, the Ministry of Culture and Heritage monitors the Crown's interests and provides independent advice to the Minister for Sport and Recreation on SPARC's performance.

However, SPARC considers that it is important to also demonstrate organisational health and capability. In this regard, SPARC has identified four values that underpin the work of the organisation and the context in which staff work. The following section outlines these values and how they influence SPARC's work. A series of auditable measures on which SPARC's internal operations can be assessed is outlined.

PEOPLE FOCUSED

SPARC places considerable emphasis on supporting and valuing people. This is in recognition of the importance of staff, and the reliance of the sport and recreation sector on volunteers and quality individual contributions to succeed. The goal of SPARC is to foster *whānaungatanga* (caring for, and support of, one another like a family) where individuals are valued and able to achieve their full potential and to develop successful relationships. SPARC will continue to refine its human resource systems and policies to ensure it recruits, develops and retains the best people. The organisation seeks to model best practice and promote a healthy and active workplace.

Outcome Measures

To support the people who work for SPARC	<ul style="list-style-type: none"> Responses to an internal staff survey indicate that the organisation provides an environment in which to grow and excel 100 percent of SPARC staff have performance agreements in place, performance appraisals and contribute to professional development plans
To provide a healthy and safe working environment	<ul style="list-style-type: none"> Responses to an internal staff survey indicate a healthy organisational culture 100 percent of staff trained in OSH requirements and SPARC health and safety management procedures
To develop effective relationships with the sector	<ul style="list-style-type: none"> Stakeholder survey responses indicate above average scores for overall performance, quality of relationship and quality of communications

DEMONSTRATES LEADERSHIP

As the primary agency in the sport and recreation sector, people and organisations look to SPARC to provide leadership and direction. SPARC’s goal is to provide effective, focused and inspiring leadership. A key objective of the organisation is to develop a clear vision for the sport and recreation sector. This will be progressed through the development of a national policy framework. SPARC is also keen to ensure that the needs of Māori are provided for across the sector. This means supporting sector organisations to cater for Māori needs and aspirations.

Outcome Measures

To provide leadership across SPARC	<ul style="list-style-type: none"> • SPARC management develops a charter with clear performance indicators
To provide leadership across the sector	<ul style="list-style-type: none"> • A stakeholder survey indicates above average scores for the leadership shown by SPARC • A survey of Olympic athletes indicates that the Taha Māori Strategy furthered their understanding of Māoritanga and New Zealand culture

STRIVES FOR EXCELLENCE

SPARC strives for excellence in everything it does. This is characterised by the development of a nimble, innovative and dynamic organisation. In this regard, SPARC seeks to develop excellent internal processes so as to ensure the organisation’s ongoing viability and success. Key systems include planning, governance, financial management, communications, investment and contract management, relationship management and knowledge management.

Outcome Measures

To deliver excellent corporate practices	<ul style="list-style-type: none"> • 95 percent of all official correspondence and information requests completed within agreed timeframes and quality standards • 100 percent of all contracts for services comply with SPARC policy • 85 percent of key initiatives are delivered on time and within budget
To promote an innovative and dynamic organisation	<ul style="list-style-type: none"> • SPARC staff responses to an internal staff survey indicate that the organisation encourages innovation
To deliver high quality services to the sector	<ul style="list-style-type: none"> • Stakeholder survey responses indicate above average scores for the research services provided by SPARC

DISPLAYS INTEGRITY

Finally, SPARC wishes to demonstrate the integrity of its process and of its people. This means ensuring that the organisation acts ethically and professionally in all aspects of its work.

Outcome Measures

To be accountable for public investment	<ul style="list-style-type: none">• SPARC receives an unqualified audit report from Audit New Zealand
To act ethically and professionally	<ul style="list-style-type: none">• SPARC implements a legislative compliance framework• SPARC staff comply with the State Service Commission code of conduct and conflicts of interest guidelines

Managing Risk

SPARC must manage and mitigate risk in addition to the normal corporate risk areas (for example disaster recovery, succession and security) faced by all organisations in New Zealand. In particular, SPARC operates in a sector and environment where the expectations of stakeholders are high. Accordingly, reputation risk management is important for SPARC as it seeks to match its capacity against the expectations of the sector and government.

SPARC also actively manages the risks around its brands, in particular *Push Play* and the *New Zealand Academy of Sport*. These brands form an important part of SPARC's delivery mechanism to achieve the outcomes described in this Statement of Intent, and brand management therefore forms an integral part of SPARC's risk management framework.

SPARC operates a risk management framework coordinated by the Board and Management that covers the following components:

- Oversight by the Audit and Risk Committee of the Board
- Financial control environment
- Physical and electronic security
- Disaster recovery planning
- Brand management
- Insurance and indemnity
- Project management methodologies
- Annual risk assessments
- A comprehensive internal audit function.

Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the four years 2003/04 to 2006/07

	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
REVENUE					
New Zealand Lotteries					
Grants Board	28,217	28,217	28,217	30,889	30,889
Vote Sport and Recreation	24,872	24,872	36,790	39,133	48,022
Vote Education	2,911	2,911	3,800	5,333	5,333
Vote Health	425	425	600	600	600
Other Revenue	700	875	800	750	750
Total operating revenue	57,125	57,300	70,207	76,705	85,594
COST OF SERVICES					
Programme and service investment	43,116	42,131	54,696	60,422	66,040
SPARC costs	14,687	14,296	17,790	18,414	19,350
Total operating expenditure	57,803	56,427	72,486	78,836	85,390
Net surplus/(deficit)	(678)	873	(2,279)	(2,131)	204

STATEMENT OF MOVEMENT IN ACCUMULATED FUNDS

For the four years 2003/04 to 2006/07

	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
Opening Accumulated Funds	7,968	6,195	7,068	4,789	2,658
Net surplus/(deficit)	(678)	873	(2,279)	(2,131)	204
Closing Accumulated Funds	7,290	7,068	4,789	2,658	2,862

Opening Accumulated Funds include \$4.897 million from the High Performance Sports Centres Trust. These accumulated funds will be reduced by \$2 million each year in 2004/05 and 2005/06 to partially fund the Performance Enhancement Grants which are included in the Cost of Services, programme and service investment in the Consolidated Statement of Financial Performance.

OUTPUT CLASS ALLOCATION

For clarity and ease of use the 2003/04 budget and forecast have been allocated using SPARC's 2004/05 output class structure.

	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
Output Class 1 – Being the most active nation					
Programme and service investment	17,696	17,461	22,651	26,489	31,107
SPARC costs	8,672	8,273	9,514	9,990	10,682
Total	26,368	25,734	32,165	36,479	41,789
Output Class 2 – Winning consistently in events that matter to New Zealanders					
Programme and service investment	18,015	17,561	21,500	23,388	24,388
SPARC costs	3,755	3,668	4,084	4,223	4,363
Total	21,770	21,229	25,584	27,611	28,751
Output Class 3 – World leading sport and recreation environment					
Programme and service investment	5,938	6,023	10,545	10,545	10,545
SPARC costs	3,727	3,441	4,192	4,201	4,305
Total	9,665	9,464	14,737	14,746	14,850
Total operating expenditure	57,803	56,427	72,486	78,836	85,390

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the four years 2003/04 to 2006/07

	Budget as at 30 June 2004 \$'000	Forecast as at 30 June 2004 \$'000	Forecast as at 30 June 2005 \$'000	Forecast as at 30 June 2006 \$'000	Forecast as at 30 June 2007 \$'000
CURRENT ASSETS					
Cash on hand and at bank	62	128	70	70	70
Short term investments	10,066	16,727	9,756	6,770	6,014
Accounts receivable	859	1,709	1,921	2,076	1,986
Total current assets	10,987	18,564	11,747	8,916	8,070
LESS CURRENT LIABILITIES					
Bank overdraft					
Accounts payable	2,658	7,926	4,240	4,029	2,035
Funds held on behalf of the Crown – Prime Minister's Scholarships	1,428	4,048	3,448	2,848	3,748
Total current liabilities	4,086	11,974	7,688	6,877	5,783
Working capital surplus	6,901	6,590	4,059	2,039	2,287
LESS CURRENT LIABILITIES					
Fixed assets	389	478	730	620	575
Total non-current assets	389	478	730	620	575
Net assets	7,290	7,068	4,789	2,658	2,862
Represented by:					
Accumulated funds	7,968	6,195	7,068	4,789	2,658
Net surplus/(deficit)	(678)	873	(2,279)	(2,131)	204
Total accumulated funds	7,290	7,068	4,789	2,658	2,862

CONSOLIDATED STATEMENT OF CASH FLOWS

For the four years 2003/04 to 2006/07

	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash inflow					
New Zealand Lotteries					
Grants Board	28,217	28,217	28,217	30,889	30,889
Vote Sport and Recreation	24,872	24,872	36,790	39,133	48,022
Funds received – administered on behalf of Crown	5,000	5,000	5,000	5,000	5,000
Other Crown contracts	3,336	3,336	4,400	5,933	5,933
Interest received	650	915	700	650	600
Other	450	40	85	130	140
Net GST received/(paid out)	(522)	223	(197)	(185)	101
Total	62,003	62,603	74,995	81,550	90,685
Cash outflow					
Cash disbursements					
to operations	59,388	56,427	75,824	78,836	87,190
Funds paid – administered on behalf of Crown	3,660	3,660	5,600	5,600	4,100
Total	63,048	60,087	81,424	84,436	91,290
Net cash inflow/(outflow) from operating activities	(1,045)	2,516	(6,429)	(2,886)	(606)
CASH FLOW FROM INVESTING ACTIVITIES					
Sale of assets	–	–	–	–	–
Purchase of assets	120	363	600	100	150
Net cash inflow/(outflow) from investing activities	(120)	(363)	(600)	(100)	(150)
Net increase/(decrease) in cash held	(1,165)	2,253	(7,029)	(2,986)	(756)
Opening cash balance as at 1 July	11,293	14,702	16,855	9,826	6,840
Closing cash balance as at 30 June	10,128	16,855	9,826	6,840	6,084
MADE UP OF					
Cash on hand and at bank	62	128	70	70	70
Short term investments	10,066	16,727	9,756	6,770	6,014
Total	10,128	16,855	9,826	6,840	6,084

Notes to the Financial Statements

1. Costs of Services are spread over the following categories.

EXPENDITURE BY PROGRAMME TYPE

	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
National bodies	20,939	20,447	22,230	22,880	23,630
Regional infrastructure and services	7,250	7,224	10,484	10,984	11,484
New Zealand Academy of Sport network and programmes	5,856	5,762	7,586	9,474	10,474
National services and programmes including priority groups	15,096	14,366	21,166	24,004	27,872
SPARC operations	8,662	8,628	11,020	11,494	11,930
Total	57,803	56,427	72,486	78,836	85,390

2. The Prime Minister's Scholarships are administered and distributed by SPARC on behalf of the Crown.

FUNDS HELD AND ADMINISTERED ON BEHALF OF THE CROWN

	Budget 2003/04 \$000	Forecast 2003/04 \$000	Forecast 2004/05 \$000	Forecast 2005/06 \$000	Forecast 2006/07 \$000
Prime Minister's Scholarships					
Funds brought forward	2,253	2,708	4,048	3,448	2,848
Funds received Vote Sport and Recreation	5,000	5,000	5,000	5,000	5,000
Funds disbursed	(3,660)	(3,660)	(5,600)	(5,600)	(4,100)
Balance held on behalf of the Crown	3,593	4,048	3,448	2,848	3,748

Statement of Accounting Policies

REPORTING ENTITY AND STATUTORY BASIS FOR REPORTING

These are the group financial statements of Sport and Recreation New Zealand, which was established by the *Sport and Recreation New Zealand Act 2002*. This Act defines Sport and Recreation New Zealand as a Crown agent for purposes of the *Public Finance Act 1989*.

The group consists of SPARC and the New Zealand High Performance Sports Centres Trust which is an entity controlled by SPARC. The Trust will be wound up during 2004/05 and the reserves transferred to SPARC.

The financial statements and group financial statements have been prepared in accordance with Sport and Recreation New Zealand's governing legislation and section 41 of the *Public Finance Act 1989*.

In addition SPARC has reported on funds held and administered on behalf of the Crown.

Measurement Base

Historical and fair value accounting measurements have been applied in the preparation of these financial statements.

ACCOUNTING POLICIES

The following accounting policies which materially affect the measurement of income and expenditure and the financial position have been applied.

Basis of Consolidation

The consolidated financial statements include the parent SPARC and its controlled entity. The controlled entity is accounted for using the purchase method, which involves adding together corresponding assets, liabilities and revenues on a line by line basis.

All significant inter-entity transactions are eliminated on consolidation.

Goods and Services Tax (GST)

The financial statements are prepared on a GST exclusive basis, with the exception of Accounts Payable and Accounts Receivable which include GST invoiced. Where GST is irrecoverable as an input tax, it is recognised as part of the related assets or expense.

The amount of GST owing to or from the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, will be included in Accounts Payable or Accounts Receivable.

Taxation

Both SPARC and its controlled entity being Public Authorities in terms of the *Sport and Recreation New Zealand Act 2002* are exempt from income tax in accordance with Section CW31 of the *Income Tax Act 2004*.

REVENUE

Goods and Services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Grants Received

Grants received from the Crown and its agents have been accounted for as income in the Statement of Financial Performance. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities in the Statement of Financial Position.

Investment Income

Investment income is recognised when earned and is reported in the financial period to which it relates.

EXPENDITURE

Grant Funding Expenditure

Grants are expensed against the financial year for which the grant has been approved.

Cost of Service Statements

The costs of outputs as reported in the Statement of Service Performance, report the costs of inputs and services purchased externally or provided internally, necessary to produce the outputs.

Cost Allocation

SPARC derives the costs of outputs using the following cost allocation system:

- Direct costs are charged directly to significant activities. Indirect costs are charged to significant core activities based on cost drivers and related activity/usage information
- Indirect costs are the costs of providing internal corporate and support services.

Cost Drivers

SPARC allocates overheads (being the provision of corporate and support services) on the basis of cost drivers that appropriately link indirect costs to the outputs. The cost drivers include number of staff and budgets.

FIXED ASSETS

Initial Recording

All assets costing more than \$2,000 will be capitalised and recorded at historical cost, which is the value of consideration given to acquire or create the asset and any direct attributable costs of bringing the asset to working condition for its intended use.

Depreciation

Depreciation is provided on a straight line basis at rates that will allocate the costs of the assets over their estimated useful lives. The useful lives have been estimated as follows:

- Audio visual equipment 3 years
- Furniture and fittings 5 years
- Office equipment 5 years
- Leasehold improvements over the remaining term of the lease
- Computer equipment 3 years

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. SPARC leases office premises and office equipment. These leases are classified as operating leases. The lease payments are representative of the pattern of benefits derived from the leased assets and accordingly charged to the Statement of Financial Performance in the period in which they are incurred.

Accounts Receivable

Accounts receivable are stated at their expected realisable value after providing for doubtful and uncollectable debts.

Investments

Investments, including those in the controlled entity, are stated at the lower of cost and net realisable value.

Employee Entitlements

Provision has been made for SPARC's liability for annual leave. Annual leave provision has been calculated on an actual accumulated entitlement basis at current rates of pay. This equates to the cash amount necessary to settle the obligation as at balance date.

Financial Instruments

SPARC and the New Zealand High Performance Sports Centres Trust are party to financial instruments as part of their everyday operations. These financial instruments include bank accounts, short-term deposits, investments, debtors and creditors. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are recognised in the Statement of Financial Position at their estimated fair value, when a contractual obligation has been established. Specific methods and assumptions are disclosed in the individual policy statements associated with each item.

STATEMENT OF CASH FLOWS

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which SPARC and the group invest as part of their day-to-day cash management.

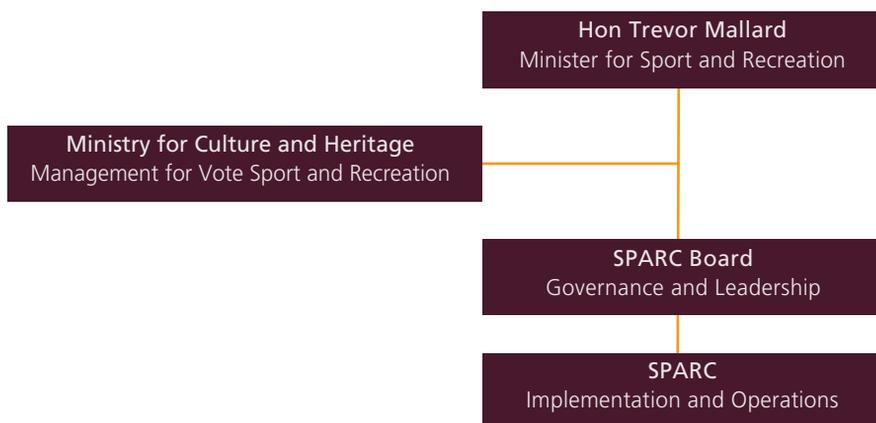
Operating activities include cash received from all income sources of SPARC and the group and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Organisational Directory

As a Crown Agent, SPARC has a close working relationship with government. The organisation reports directly to the Minister for Sport and Recreation, Hon Trevor Mallard, and is responsible for the provision of policy advice to government on sport and recreation. However, the Ministry for Culture and Heritage is responsible for the management and disbursement of Vote Sport and Recreation. The Ministry is also responsible for monitoring of the Crown's interests in government sports sector organisations, namely SPARC and the New Zealand Sports Drug Agency.

RELATIONSHIP WITH GOVERNMENT



SPARC is governed by a nine-member Board appointed in accordance with the *Sport and Recreation New Zealand Act 2002*. The role of the Board is to set the strategic direction of SPARC and provide governance and leadership for the organisation. SPARC also supports Te Roopu Manaaki (Māori Advisory Committee) to provide strategic advice with respect to Māori.

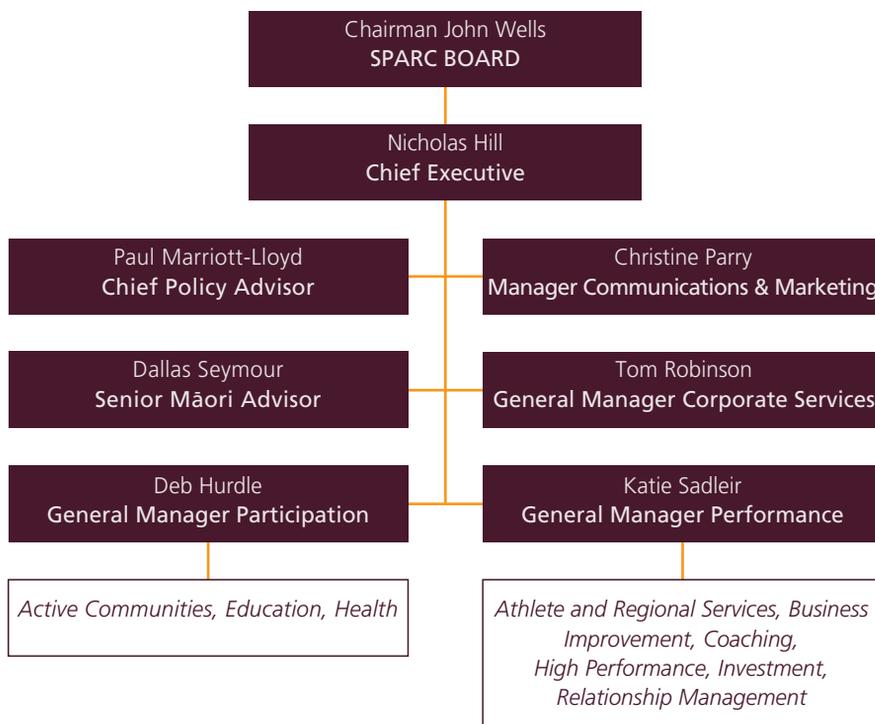


BOARD MEMBERS

Jenny Ross
Christopher Doig
John Wells (Chairman)
Nicholas Hill (CEO)
Jane Huria
Graeme Condon
Bill Osbourne
Elizabeth Coutts
Sarah Sandley
David Collins QC (Absent)

SPARC is responsible for implementing the strategies to deliver this Statement of Intent and day-to-day operations. The organisation is driven by two operating divisions, which cover participation and performance in physical activity and sport. The organisation is also supported by the Corporate Services, Policy and Research, Marketing and Communications teams, as well as a Senior Māori Advisor.

ORGANISATIONAL STRUCTURE



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