

# Statement of Intent

2007–2010

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*Presented to the House of Representatives pursuant to section 149 of the Crown Entities Act 2004.*



# Foreword

A nation inspired to be active, participate and win – this is SPARC’s vision - and realising this is what motivates us every day as we encourage and support New Zealanders to participate in sport and recreation.

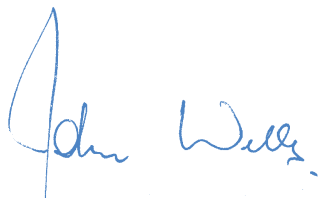
This is a significant challenge for SPARC and one that cannot be met without the support of partners who share the same focus and who are prepared to work together to make it a reality.

Achieving the vision will be no easy task. New Zealanders’ lives seem to be fuller and busier than before and there is a whole generation of young people who need to be switched on to sport and recreation in the face of competing sedentary alternatives and demands on their time.

Yet, to be a Kiwi is synonymous with being active and being involved in some capacity in sport and recreation. We have a rich history of achievement and involvement in sport and recreation that has shaped who we are and how we feel about ourselves.

SPARC’s challenge is to ensure that all New Zealanders understand the value and importance of the active Kiwi lifestyle and inspire all New Zealanders to live it. By being successful, the benefits to individuals, communities and New Zealand as a whole will be immense.

The coming years promise to be an exciting period for SPARC as we continue to work with our partners in government, sport and recreation and the wider community turning the vision into reality.



**John Wells**  
Chairperson  
Sport and Recreation New Zealand



**Elizabeth Coutts**  
Board Member  
Sport and Recreation New Zealand

# Introduction

New Zealand has always been a nation born to move. Sport and recreation is in our blood and part of our psyche. We play in this realm, we support clubs and events, and we perform with conviction and success on the world stage. Sport and recreation at the grass roots level bring communities together; help our children develop; and provide opportunities for us to play, have fun and stay healthy throughout our lifetime. High performance sporting successes bind our nation and lift our profile as a country worth partnering with.

SPARC's role is to promote, encourage and support sport and recreation in New Zealand. We are dedicated to getting New Zealanders active, involved and winning in sport and recreation.

We invest in organisations that contribute to achieving our mission. We partner with national sport and recreation organisations, regional sports trusts, local authorities and many other organisations that have the capability to get people and programmes moving in their areas. We provide specialist services and programmes to build the knowledge and capability of the sector, and we develop world-leading programmes aimed at getting New Zealanders active and into sport and recreation.

SPARC has been operating for five years. We have made challenging decisions about shifting from what was predominantly an annual grants approach to funding, to an investment-focused approach. This introduced contestability, multi-year outcomes-based contracts, emphasis on partnerships with regional sports trusts, and increased monitoring and evaluation of outcomes. We have invested in increasing the evidence and knowledge pool available to the sector, we have lifted our policy capability, and have built and valued robust relationships with key partners.

An independent review of SPARC's progress was undertaken by Deloitte in 2006. This review concluded that SPARC has *"made enormous progress as an organisation over the 2002 – 2006 period"* and that SPARC *"can be proud of its achievements over the period 2002 – 2006. The organisation has performed well, 'lifting the bar' across the board both in terms of its own performance and sector capability"*.

SPARC now has a sound foundation, both internally and within the wider sport and recreation sector to help New Zealanders fully value sport and recreation as a fundamental part of being a New Zealander.

SPARC's business planning addresses the **who**, **what** and **how**. That is, **who** do we need to influence and support; **what** interventions are needed and designed for both effectiveness and efficiencies; and **how** are these interventions best implemented e.g. the role of our partners in the sector.

Keeping sport and recreation at the forefront of all Kiwis' lives involves four key areas of influence: helping Kiwis value sport and recreation as an integral part of their day; ensuring the sport and recreation network is connected and complete; ensuring we have great people leading and motivating the sector; and helping the sector to make smart investments that meet the needs and aspirations of Kiwis.

This Statement of Intent outlines the following:

- background information about SPARC and its operating environment;
- the impact that SPARC aims to achieve during the period 2007-2010;
- how we intend to measure our impact during the period 2007-2010; and
- the state of SPARC's organisational health i.e. our ability to achieve our planned impact.

We look forward to continuing to work successfully with the committed support and energy of all our partners.

Consistent with the words of New Zealand's successful song writer Greg Johnson (whose music we have chosen to support a number of our Push Play commercials) – ***don't lose the energy, don't wait another day*** - SPARC is dedicated to adding to the enjoyment and pride of being a New Zealander through the fantastic opportunities that sport and recreation offer us all.

# SPARC's Vision for New Zealand

SPARC's vision for New Zealand is ***a nation inspired to be active, participate and win.***

The vision is the pinnacle outcome that SPARC is working to achieve. To realise this vision SPARC's mission is to foster an environment where:

- more New Zealanders will be physically active in sport and recreation;
- more New Zealanders will participate in supporting and delivering sport and recreation; and
- more New Zealanders will win on the world stage.

To foster such an environment SPARC intends to focus on the following key areas in the coming three years:

- culture      Kiwis value sport and recreation as an integral part of their day
- structure    the sport and recreation delivery network is efficient and effective
- people        there are great people leading, managing and supporting sport and recreation
- resources    the sector is making smart investments that meet the needs and aspirations of Kiwis

# About SPARC

## Establishment

In January 2001 the report of the Ministerial Taskforce on Sport, Fitness and Leisure, *Getting Set - For an Active Nation*, recognised the valuable contribution that sport and recreation made to New Zealanders' lives but also identified growing evidence that New Zealand was fast losing its way as an active and successful sport and recreation nation.

Many of the issues and challenges identified in the Taskforce's report are not unique to New Zealand. Governments in most western democracies are becoming increasingly aware of the long-term physical and social costs of modern lifestyles and that a vibrant sport and recreation sector is one means to mitigate this, to offer fun and enjoyment to people's lives, and to set people in good stead for actively participating in their local and national communities.

The Taskforce's report identified that in New Zealand too many agencies were responsible for managing the Government's interest in the sport and recreation sector, and this was inhibiting the development of coherent policies. The report recommended that a new entity be established that would be capable of providing clear direction in shaping sport and recreation policy, increase levels of funding available to the sector and help provide leadership to the sector – this led to the establishment of SPARC.

For more details see *Getting Set - For an Active Nation* at:

<http://www.executive.govt.nz/minister/mallard/sflreview/taskforce/index.html>

## Relationship to government

SPARC is a Crown Agent and is subject to the Crown Entities Act, 2004. We were established on 1 January 2003 under the Sport and Recreation New Zealand Act 2002 to "*promote, encourage and support physical recreation and sport in New Zealand*".

SPARC is funded from public money through Vote Sport and Recreation and the New Zealand Lottery Grants Board. Through SPARC the government invests approximately \$100 million per year in New Zealand's sport and recreation sector.

As a Crown Agent, SPARC is legally separate from the Crown and operates at arm's length from the responsible Minister, the Minister for Sport and Recreation. In performing our functions and duties we must give effect to government policy when directed by the Minister for Sport and Recreation; but the Minister is not able to give direction in relation to a policy, practice, procedure, or decision of SPARC regarding the allocation of funds to, or for the benefit of, any person.

The Ministry for Culture and Heritage monitors SPARC's long term planning, budgeting, and performance; and reports on such matters to the Minister of Sport and Recreation.

The SPARC Board formally reports to the Minister for Sport and Recreation every six months on SPARC's operations and progress towards meeting agreed performance targets. SPARC is required to comply with the reporting requirements set out in the Crown Entities Act 2004 including giving notice to the Minister prior to acquiring subsidiaries or shares.

## SPARC Board

SPARC is governed by a Board whose members and Chairperson are appointed by the Minister for Sport and Recreation. The Board is responsible for setting the strategic direction of SPARC and for providing governance and leadership for the agency. At 1 June 2007 the SPARC Board comprised of the following:

| <b>Board member</b> | <b>Appointed</b> | <b>Term ends</b> |
|---------------------|------------------|------------------|
| John Wells (Chair)  | May 2001         | 30 Sep 2008*     |
| Elizabeth Coutts    | May 2001         | 30 Jun 2007      |
| Dr Jenny Ross       | May 2001         | 30 Jun 2007      |
| Christopher Doig    | 1 Jul 2003       | 30 Jun 2009      |
| Dr Sarah Sandley    | 1 Jul 2003       | 30 Jun 2009      |
| Tina Karaitiana     | 1 Jul 2004       | 30 Jun 2009      |
| Rob Fisher          | 1 Jul 2005       | 30 Jun 2008      |
| Alan Isaac          | 3 Apr 2007       | 31 Mar 2010      |
| Donald Stewart      | 3 Apr 2007       | 31 Mar 2010      |

\* Reappointed for 15 months following expiry of term on 30 June 2007

## SPARC's functions

SPARC's functions are set out in section 8 of the Sport and Recreation New Zealand Act 2002. Section 8 outlines what activities SPARC is responsible for. These functions can be grouped as follows:

### Policy

- develop and implement national policies and strategies for physical recreation and sport
- provide advice to the Minister on issues relating to physical recreation and sport
- work with health, education and other agencies to promote greater participation in physical recreation and sport through policy development, advocacy and support, in line with the objectives of the New Zealand Health Strategy
- represent the Government's policy interests in physical recreation and sport internationally

### Research and public education

- promote and disseminate research relevant to physical recreation and sport
- promote and advocate the importance of participation in physical recreation by all New Zealanders for their health and wellbeing

### Targeting population groups

- promote and support the development and implementation of physical recreation and sport in a way that is culturally appropriate to Māori
- encourage participation in physical recreation and sport by Pacific peoples, women, older New Zealanders, and people with disabilities
- recognise the role of physical recreation and sport in the rehabilitation of people with disabilities



## Funding and infrastructure delivery

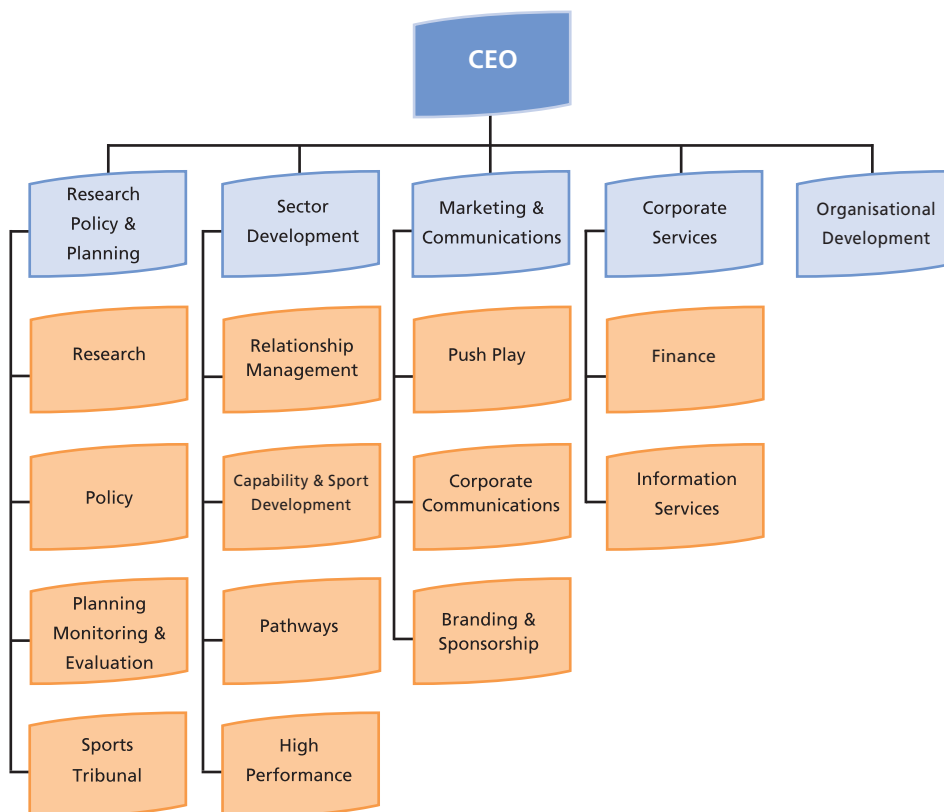
- allocate funds to organisations and regional bodies in line with its policies and strategies
- work with schools; regional, central and local government; and physical recreation and sports organisations to ensure the maintenance and development of the physical and organisational infrastructure for physical recreation and sport
- provide advice and support for organisations working in physical recreation and sport at national, regional and local levels
- facilitate coordination between national, regional and local physical recreation and sport organisations

## Dispute resolution

- facilitate the resolution of disputes between persons or organisations involved in physical recreation and sport

## SPARC structure

SPARC's organisational structure consists of five operational groups as follows:



## Te Roopu Manaaki

Te Roopu Manaaki was established in 2002 to advise the SPARC Board on Māori participation in sport and recreation in New Zealand. Membership of Te Roopu Manaaki is:

| <b>Member</b>      | <b>Role</b>  |
|--------------------|--------------|
| Pihopa Kingi       | Kaumatua     |
| Kevin Prime        | Chair        |
| Chris Marjoribanks | Deputy Chair |
| Jack Thatcher      | Member       |
| Mynetta Erueti     | Member       |
| Louisa Wall        | Member       |
| Jacqui Te Kani     | Member       |
| John Paki          | Member       |
| Jane Huria         | Member       |

# Operating environment

## Broad scope of our work

In order to achieve our vision and deliver our functions we need to work with a number of different sectors – for example the high performance sport sector, the education and health sectors, local government, ‘grassroots sports’ and the community and voluntary sectors. As the government agency for sport and recreation, we also have a close relationship with the rest of government and with New Zealand’s national sport and recreation organisations.

There are four key features of our operating environment that continue to affect the character of our work. These are:

- daily physical activity patterns of New Zealanders;
- challenges for sport and recreation organisations;
- the high performance environment; and
- the policy and planning environment.

## Daily physical activity patterns of New Zealanders

Internationally reputable physical activity guidelines state that at least 30 minutes of moderate intensity physical activity, on five or more days per week, is needed for adults to maintain good health. This message has been brought home to New Zealanders through SPARC’s *Push Play* campaign.

Results from the International Prevalence Study on Physical Activity undertaken in 2002/03 showed New Zealand adults as first equal with the Czech Republic in being the most active nation, out of nineteen countries surveyed. New Zealand males were the most active among all the males surveyed while New Zealand females were in the top five.

SPARC’s Push Play campaign has helped take adult awareness of the Push Play message from 30% in 1999 to 84% in December 2006. Since 1999 SPARC’s target audience of those insufficiently active to maintain good health has reduced by 32%. However, there is still a considerable difference between awareness and action, with 23% of New Zealand adults who are still not doing enough physical activity to maintain basic good health.

With respect to children and young people, recent international research indicates that young people need to do at least 60 minutes of moderate to vigorous physical activity every day to maintain good health and to protect against chronic health problems as they age. This is a new challenge for SPARC and other organisations that work towards increasing physical activity levels for young New Zealanders.

SPARC’s research tells us that different groups of people have quite different motivations for participating in physical activity and different barriers to participation. These motivations and barriers are all further affected by the changing stages people go through in their lives, such as ageing, changing states of health, disability, and changes in career and family commitments. In order to help New Zealanders make physical activity a bigger part of their daily lives the sport and

recreation sector and the wider community need to provide more opportunities for physical activity for all age groups, for example developing active transport opportunities for commuters, offering accessible and appealing sport and recreation activities, encouraging people to take the stairs instead of using elevators.

Some of the first steps towards meeting this challenge include:

- undertaking the New Zealand Sport and Physical Activity Survey to find out more about what physical activities New Zealanders actually do;
- encouraging young New Zealanders to be more active through the current five-year *Mission-On* campaign that aims to improve the lifestyles of young New Zealanders by targeting improved nutrition and increased physical activity;
- reviewing the outdoor recreation sector to see how we can connect more New Zealanders with the wonderful recreation resources we have in our backyard;
- implementing the *No Exceptions* strategy to increase the sport and recreation opportunities and uptake by the disabled; and
- implementing the *He Oranga Poutama* programme that develops sport and recreation opportunities in settings relevant and appropriate to Māori.

We also need to ensure that the sport and recreation sector is coordinated and well-connected to other sectors of New Zealand that can have a role to play in making us a more active nation.

## Challenges for sport and recreation organisations

Sport and recreation organisations are essential to the promotion and delivery of physical activity in New Zealand as they provide many of the opportunities for people to engage in physical activity. National sport and recreation organisations are also essential for providing competitive and social sport and recreation opportunities and for identifying, developing and supporting our high performance athletes. There are over 100 national organisations delivering sport and recreation opportunities to New Zealanders, with over 10,000 clubs and gyms at a local level. SPARC estimates that approximately 500,000 volunteers support these clubs and organisations for the benefit of New Zealanders.

The sport and recreation sector is populated with enthusiastic, talented and hard-working people who make an important contribution to New Zealand. However, sport and recreation organisations are under pressure from several different directions. There is a decline in the numbers of younger volunteers in sports clubs, and New Zealanders are looking for more informally organised sport and recreation opportunities rather than joining traditional clubs. Busy lifestyles mean that fewer people have the time to act as coaches or officials. National sports organisations face challenges attracting and retaining qualified staff. Although financial and non-financial resources available to sport and recreation organisations have increased over the past four years, they are limited and highly contested, and there is little incentive for collaboration and cooperation across the sport and recreation sector.

Most of these challenges are not new to SPARC and over the past five years we have developed programmes to support volunteers, coaches, officials and sports organisations. Several of these programmes, such as our Leadership Development Programme for chief executives of sport and recreation organisations, are still in the early stages of implementation. Other programmes, such as our support programmes for high performance athletes and coaches, are well established. Over the next few

years SPARC will undertake an evaluation programme to ensure all SPARC's initiatives are working as efficiently as possible and delivering maximum value for New Zealand. In addition, we will turn our focus to new challenges such as strengthening outdoor recreation networks and developing links between sport and recreation organisations and the commercial sector.

## High performance environment

New Zealand's performances at the Melbourne Commonwealth Games in 2006 underlined the points made in SPARC's previous Statement of Intent - winning on the international stage is becoming increasingly challenging for New Zealanders. Being a small country, we have a smaller pool of athletes, and access to less expertise and fewer resources than some of our much larger rivals. So we have to outsmart them, be innovative and strategic in how we invest, and build upon our nimble ability to adapt quickly to opportunities.

SPARC completed a review of its high performance system in 2006 and over the past year we have been implementing the recommendations from that review. These changes involve more targeted and efficient use of resources, with a focus on developing high performance depth in fewer sports rather than spreading our resources too thinly. Improving athlete performances takes time. SPARC will measure the success of its high performance strategy through New Zealanders' performances at the 2008 Beijing and 2012 London Olympics, the 2010 Commonwealth Games in Delhi and world championships in sports such as rowing, netball, cricket and swimming.

## Policy and planning environment

Sport and recreation contribute to health, social, economic and environmental outcomes. Accordingly there is a wide range of opportunities for SPARC and the sector to be involved in delivering on government objectives. SPARC has a role in leading policy development for the sport and recreation sector, as well as advising the Government on sport and recreation issues.

SPARC also has a responsibility to ensure that the Government's investment in sport and recreation delivers the appropriate outcomes for New Zealanders. This means that along with good research and a sound policy rationale for investment, monitoring and evaluation of the outcomes must be prioritized.

SPARC can also help its partners in the sector work together to align their policy and planning to achieve their strategic goals. For example, SPARC's networks with local authorities, regional sports trusts, district health boards and sport and recreation organisations create an opportunity to help these organisations coordinate their work more closely to produce better and more efficient outcomes for New Zealanders.

## SPARC contributes to broader outcomes

SPARC works with other government agencies to achieve broad outcomes for New Zealanders. SPARC's activities will contribute directly to the Government's priority areas of:

**Families – young and old:** by investing in programmes to increase participation in sport and recreation for all people at all ages; supporting community and national sports organisations; investing in family and community based physical activity programmes.

**National identity:** by supporting sport and recreation people that have the potential to make a mark on the world stage; supporting the major events industry to secure and develop significant events for New Zealand; and encouraging New Zealanders to make outdoor recreation part of their day.

**Economic transformation:** by supporting development of innovative sport and recreation technology; by developing legacy opportunities for New Zealand's business and sporting communities through the hosting of major events; and increasing productivity through a fitter, more active workforce.

# Operating principles

## Principles to be reviewed in 2007-2008

SPARC's operating principles will be reviewed during 2007-2008 to ensure robust methods of intervention selection, implementation and evaluation of interventions are applied. Principles that currently guide SPARC's policy development, investment and service delivery are as follows.

### Policy

SPARC's approach to the development of sport and recreation policy is guided by the following principles:

- SPARC will advocate for policy change based on strong research and evidence-based studies, undertaken both nationally and internationally, that are applicable to New Zealand.
- SPARC will prioritise the development of services that are likely to have the biggest impact on our outcomes.
- SPARC will monitor and evaluate the effectiveness of its interventions to ensure that the interventions are having a positive effect and New Zealanders are receiving value for money.
- SPARC recognises the importance of involving all New Zealanders in sport and recreation and will work to ensure that all New Zealanders, without exception, have access to quality sport and recreation opportunities.
- SPARC will ensure that the sport and recreation sector has clear and objective leadership.
- SPARC will 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.

### Investment

A key mechanism by which SPARC's mission will be achieved is through investing in organisations that are capable of making a positive impact on SPARC's mission. The bulk of SPARC's funding (71%) is invested directly into the sport and recreation sector, and over the next three years SPARC expects to directly invest approximately \$200M. Decisions on how this investment will be made will be guided by the following principles:

- **Priorities** - priorities will be set for SPARC investment. These priorities will be based on a clear justification for government investment. In particular, SPARC will direct its investment to activities that:
  - do not crowd out private and community funding;
  - assist in developing self-sufficiency; and
  - support the development of an integrated and effective sport and recreation infrastructure.

- **Return** - SPARC will focus on investing funds rather than supporting entitlements. Allocation decisions will be made on the likelihood of maximising a return on investment (measured by the impact on SPARC's mission).
- **Certainty** - SPARC will endeavour to make its investment decisions following clear and well-understood processes. Changes in investment priorities will be signalled well in advance. Contracted targets will be clear, understood and agreed.
- **Capability** - the capability of an organisation seeking SPARC investment will affect the quantum, term and prescriptiveness of the investment arrangements.
- **Performance** - the performance of SPARC's investments will matter. Better performance should be recognised, while poor performance will be addressed. Investments will be monitored and evaluated regularly.
- **"Fit-for-Purpose" Investment Terms** - contracting terms will reflect the risk/return profile of the investment. For example, small investments will be structured more like grants, while large, long-term investments in key organisations will be managed on a partnership basis.
- **Recognition** – SPARC's investments are funded by the taxpayer. People and organisations that benefit directly from this investment will be expected to give due recognition to SPARC and the taxpayer.

## Services

SPARC's principles for the development of services are:

- SPARC will be responsive and dynamic in the provision of services and, where possible, proposals will be informed by evidence-based research and sound policy backing.
- SPARC will only 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 can and will be better placed than SPARC to provide services.
- All services will be reviewed and monitored to ensure that they make a difference and are delivered in an efficient and effective manner.



# Forecast performance statements

## SPARC's medium term outcomes

The table below describes SPARC's key intentions for working towards its mission and vision during the period 2007 – 2010.

| Intermediate Outcomes  | What we will do   | Performance measures  |
|--|---|---|
| Kiwis make sport and recreation an integral part of their day        | <p>Focus on children and young people having competence and confidence in sport and recreation activities.</p> <p>Social marketing campaigns to motivate Kiwis.</p> <p>Leverage sporting and recreational events to promote the benefits of sport and recreation amongst Kiwis.</p> <p>Work to maximise the value Kiwis gain from recreation in the great outdoors.</p>   | <p>Children and young people stay involved in sport and recreation through their transition into adulthood.</p> <p>Mission-On and Push Play campaigns successfully implemented.</p> <p>Increased physical activity levels amongst target groups.</p> <p>Measured positive impact of events.</p> <p>Review of the national outdoor recreation sector and recommendations agreed and implemented by the sector.</p> |
| Our sport and recreation delivery network is efficient and effective | <p>Investigate ways to assist communities to provide quality sport and recreation outcomes.</p> <p>Ensure Long Term Council Community Plans incorporate sport and recreation outcomes.</p> <p>Work with the commercial sector to help it become a key partner in the sport and recreation sector</p> <p>Assist the health sector to recognise the value physical activity offers public health and that sport and recreation is a large part of Kiwis being active.</p> | <p>National governing bodies lead regeneration of regional and club delivery.</p> <p>LTCCPs provide priority to local sport and recreation opportunities.</p> <p>Commercial organisations contribute to SPARC's mission.</p> <p>The health sector supports sport and recreation as a significant contributor to public health.</p>  |
| Great people leading, managing and supporting sport and recreation   | <p>Challenge and support quality leadership, governance and management of NZ's key sport and recreation organisations.</p> <p>Increase attractiveness of volunteering in sport and recreation.</p> <p>Implement the NZ Coaching Strategy.</p>   | <p>CEO Leadership Programme continues to be implemented and improved.</p> <p>More volunteers and coaches with more time and better recognition.</p>   |

| Intermediate Outcomes   | What we will do   | Performance measures  |
|---|---|---|
| The sector is making smart investments that meet the needs and aspirations of Kiwis | <p>Gather knowledge and research to enable new and existing programmes to be better targeted.</p> <p>Implement SPARC's High Performance Strategy.</p> <p>Identify priorities for facility development.</p> <p>Shared approach developed with all investors in sport and recreation opportunities.</p> | <p>National Research Strategy Phase II Action Plan agreed with sector.</p> <p>Increased medal and top-eight performances by NZ athletes and teams in SPARC's target sports.</p> <p>Local authorities adopt recommendations of the 2008 facilities audit.</p> <p>Coordinated investment strategy agreed.</p> |

## Output plan 2007-08

The table below describes the key outputs purchased from SPARC by the Government for the 2007/08 year. It also contains a list of significant performance measures against which SPARC will be reporting during this period.

| Intermediate outcomes  | Outputs purchased 2007/08   | Performance measures   |
|--|---|--|
| Kiwis make sport and recreation an integral part of their day        | <p>Mission-On implementation including monitoring and evaluation.</p> <p>Push Play social marketing campaign.</p> <p>Review how to maximise value from outdoor recreation sector.</p>   | <p>Mission-On programme targets met including monitoring and evaluation plan agreed by Joint Officials Group.</p> <p>5% increase in adult awareness of the Push Play 30 minutes a day message.</p> <p>Outdoor recreation recommendations to government by 30 June 2008.</p>  |
| Our sport and recreation delivery network is efficient and effective | <p>Improved SPARC programmes for 13 to 18 year olds.</p> <p>Support for Local Government to provide for sport and recreation in their LTCCPs.</p> <p>Seminar connecting business sector with sport and recreation sector.</p> <p>Review effectiveness of SPARC's preschool and primary school programmes.</p> <p>National roadshow to promote greater levels of understanding of SPARC's role and priorities.</p> | <p>Contracts and investment arrangements agreed for improvements to 13-18 year olds' programmes.</p> <p>Submissions made on LTCCPs that affect at least 75% of New Zealanders.</p> <p>Business and sport seminar completed by 30 June 2008.</p> <p>Review of preschool and primary programmes is completed by 30 June 2008.</p> <p>National roadshow completed by December 2007.</p> |
| Great people leading, managing and supporting sport and recreation   | <p>SPARC's Chief Executive Leadership Development Programme delivered to sector.</p> <p>Educational resources built to support implementation of the NZ Coaching Strategy.</p> <p>Volunteers' seminar programme developed.</p>  | <p>14 CEOs complete Leadership Development Programme and evaluation indicates knowledge gained is being applied within the sector.</p> <p>15 sports supported to utilise and adapt the coaching educational resources to meet their needs.</p> <p>A series of five seminars delivered in key centres around the country and supported by online resources.</p>                       |

| Intermediate outcomes  | Outputs purchased 2007/08   | Performance measures  |
|--|---|---|
| <p>The sector is making smart investments that meet the needs and aspirations of Kiwis</p> | <p>NZ Sport and Physical Activity Survey 2007/08 (NZSPAS).</p> <p>Audit of the state of NZ's sport and recreation facilities.</p> <p>Support Strategy for Beijing Olympic Games and Paralympic Games implemented.</p> <p>London 2012 Plan prepared.</p> | <p>NZSPAS survey completed first quarter 2008 and top-line results presented by 30 June 2008.</p> <p>Facilities stocktake completed.</p> <p>Increased medal and top-eight performances by NZ athletes and teams in SPARC's target sports.</p> <p>Talent identification and development plan developed with SPARC's target sports.</p> |

# Organisational health

## Great people

SPARC recruits and invests in the development of great people. Given the breadth of our functions, a diverse set of skills and knowledge is needed to achieve our vision. Accordingly, SPARC recruits nationwide and internationally to ensure the best candidates are secured.

SPARC places considerable emphasis on valuing its people and on encouraging and supporting them to develop and grow as individuals.

SPARC invests in the development of its people and teams. Each staff member has an annual personalised professional development plan to implement. We recognise that learning occurs in many forms and encourage learning from exposure to peers, stakeholders and other experts.

Each staff member has an agreed performance plan that clearly outlines key activities, outcomes and performance indicators for the current year. The performance plans align to the relevant team's operational plan, that in turn aligns to SPARC's annual business plan and ultimately to SPARC's 3-year business plan. Implementation of performance plans is managed throughout the year with a formal appraisal at the financial year-end.

We encourage our people to stretch themselves professionally and to step beyond their comfort zones while ensuring they are coached and supported to succeed. The breadth of SPARC's business provides great opportunity for personal growth. Internal promotions are encouraged wherever possible and appropriate.

## Leadership

SPARC underwent an organisational review in 2006 aimed at streamlining business processes and improving operational efficiencies. Recruitment of General Managers was completed in October 2006. Many of the second tier manager roles were filled by SPARC people stepping up to the challenge with support.

SPARC is committed to the development of great leaders and recognises the importance of continually seeking new perspectives and fresh learning opportunities. We are working with our partners to increase leadership amongst the sector and we are also working to lift leadership among our own staff. SPARC has recently prepared an internal leadership programme for its managers and is now developing a programme for emerging leaders across the organisation. These programmes aim to increase fundamental management and leadership skills within the organisation and to build connections across the management team. An evaluation tool will be developed to measure application of the programme's learnings.

## Culture

SPARC is made up of highly committed and passionate people. We are dedicated to adding to the enjoyment of being a New Zealander through the fantastic opportunities that sport and recreation offer us all.

Many of SPARC's staff are integrally involved in the sector, giving of their discretionary time as coaches, officials, administrators, social players, or mums and dads running children to clubs and competitions. Many are knowledge experts who live the dream of applying their specialist knowledge to a sector that they feel passionate about. SPARC staff value the opportunity to work with such a good product i.e. adding to the enjoyment and pride in New Zealanders' lives through sport and recreation.

SPARC works to foster a team approach within the organisation. We recognise that success requires continual insight, effort, commitment and skills – and that each of us brings a mix of skills and knowledge – and that together our achievements are compounded.

Some features of culture are monitored regularly through our employee engagement survey. This survey also provides an indicator of discretionary effort and an intention to stay with the organisation. SPARC is currently achieving 82% engagement based on an approximate two thirds response rate. SPARC also surveys staff satisfaction in their roles annually.

## Relationships

Both internal and external relationships are vital to SPARC's success. Most of SPARC's projects and programmes are undertaken with the assistance of 'virtual teams', i.e. appropriate experts, regardless of team, are selected to work together to deliver projects/programmes. Inter-group collaboration and assistance is encouraged. Following the 2006 organisational review a number of internal workshops and an all-staff conference have been held to ensure that each group and associated teams understand each other's role and the processes for working together.

Successful external relationships are a key focus for SPARC. It is essential that we work collaboratively with our partners in the sport and recreation sector. Accordingly, SPARC's Relationship Management Team has recently been adjusted to provide better geographical coverage and alignment by partner type. Key partners include national sports organisations, national recreation organisations, regional sports trusts and many other organisations that have the capability to contribute to achieving SPARC's mission and vision.

In May 2007 SPARC held a conference to improve collaboration with and between key national sport and recreation organisations and other important partners in the sectors.

## Processes

As noted in the Statement of Intent for 2006-2009 SPARC is in the process of implementing an Information Systems Strategic Plan.

A new Partner Relationship Management System will provide us with a single view of all partner information and activities so that we are able to engage with stakeholders consistently, efficiently, and in a timely manner.

The Contracts and Investment Management System that went live in 2005 is now well embedded into our business operations. This system provides us with a single view of

all our contracts and investment arrangements, including a single picture of all future financial commitments – this is invaluable for contract management and reporting purposes. The system captures and tracks contractual information and monitors the contracts against performance measures.

SPARC is committed to applying the Good Employer Guidelines of the Human Rights Commission (see [www.neon.org.nz](http://www.neon.org.nz) for details). SPARC's employment policies and practices are currently being reviewed and will be updated during 2007-2008.

## Technology

The functioning of SPARC requires little customised technology. Currently a team of four supports our computer network needs. All information and technology based projects are managed through a three year rolling Information Systems Strategic Plan. Implementation of this plan is monitored by an Information Technology Review Board. At 1 June 2007 this Board comprised of Nick Hill (SPARC Chief Executive, as Chair); Liz Coutts (SPARC Board Member) and Bryce Johnson (external expert).

## Physical assets

All large physical assets such as office accommodation and computers are leased. The lease for our office space expires in 2009 and we are currently scoping future accommodation options.

## Structures

SPARC underwent a major organisational review in 2006 aimed at streamlining business processes and improving operational efficiencies. This resulting management structure was established around the following five core functions:

- Research, Policy and Planning
- Sector Development
- Marketing and Communications
- Corporate Services
- Organisational Development

The Sector Development Group includes the High Performance Team; the Capability and Sport Development Team, the Relationship Management Team and the Pathways Team. Most positions within these teams have been successfully filled since the restructure and teams are now embedding intended modes of operating.

# Managing Risk

SPARC manages and mitigates risk areas additional to the normal corporate risks such as disaster recovery, succession, and security. In particular, SPARC operates in a sector and environment where the expectations placed on the organisation by its partners are not homogenous, in some cases are contradictory and in many cases are unachievable. Reputation risk management is important for SPARC as it seeks to match its capacity against the expectations of the sector.

SPARC also actively manages risks to its brands, in particular SPARC, 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.

SPARC operates a risk framework coordinated by the Board and SPARC senior 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; and
  - a comprehensive internal audit function.
-

# Forecast financial statements for the year 2007/08

## Statement of forecast financial performance

For the year ended 30 June 2008

|   | Note     | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|---|----------|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>REVENUE</b>  |          |                            |                            |                              |                            |
| Vote Sport and Recreation   | 2        | 44,245                     | 51,088                     | 49,844                       | 52,288                     |
| Vote Sport and Recreation (transfer of Funds held on behalf of the Crown) | 5        | 0                          | 0                          | 4,031                        | 17,368                     |
| NZ Lottery Grants Board   |          | 28,220                     | 30,890                     | 30,890                       | 30,890                     |
| Contract revenue  |          | 6,379                      | 6,665                      | 6,653                        | 6,211                      |
| Interest Received   |          | 1,381                      | 1,260                      | 1,075                        | 1,100                      |
| Sundry Revenue  |          | 159                        | 100                        | 100                          | 150                        |
| <b>Total operating revenue</b>  |          | <b>80,384</b>              | <b>90,003</b>              | <b>92,593</b>                | <b>108,007</b>             |
| <b>COST OF SERVICES</b>   |          |                            |                            |                              |                            |
| Programme investment  |          | 60,229                     | 65,748                     | 66,100                       | 67,251                     |
| Programme support   |          | 10,159                     | 19,456                     | 21,611                       | 34,596                     |
| SPARC costs   |          | 13,958                     | 6,900                      | 6,931                        | 6,672                      |
| <b>Total operating expenditure</b>  | <b>3</b> | <b>84,346</b>              | <b>92,104</b>              | <b>94,643</b>                | <b>108,520</b>             |
| <b>Net surplus/(Deficit)</b>  |          | <b>(3,962)</b>             | <b>(2,101)</b>             | <b>(2,050)</b>               | <b>(513)</b>               |

The 2005/06 and 2006/07 budgeted and estimated actual financial statements have been prepared under New Zealand Generally Accepted Accounting Practice and the 2007/08 forecast financial statements have been prepared under New Zealand International Financial Reporting Standards. This forecast financial statement is to be read in conjunction with the accounting policies and notes to the forecast financial statements on pages 28 to 35.

## Statement of forecast movements in accumulated funds

For the year ended 30 June 2008

|                              | Note     | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|------------------------------|----------|----------------------------|----------------------------|------------------------------|----------------------------|
| Opening Public Equity        |          | 9,525                      | 5,562                      | 5,562                        | 3,512                      |
| Net Surplus / (Deficit)      |          | (3,962)                    | (2,101)                    | (2,050)                      | (513)                      |
| <b>Closing Public Equity</b> | <b>4</b> | <b>5,562</b>               | <b>3,460</b>               | <b>3,512</b>                 | <b>2,999</b>               |

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## Forecast output class allocation

For the year ended 30 June 2008

| Note   | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>OUTPUT CLASS 1 -</b>                      |                            |                            |                              |                            |
| <b>MORE PEOPLE ACTIVE</b>                    |                            |                            |                              |                            |
| <b>Total Revenue</b>                         | <b>34,249</b>              | <b>38,217</b>              | <b>33,729</b>                | <b>35,971</b>              |
| Less Expenses                                |                            |                            |                              |                            |
| - Programme investment                       | 22,048                     | 25,698                     | 25,079                       | 26,314                     |
| - Programme support                          | 7,662                      | 7,284                      | 6,395                        | 6,785                      |
| - SPARC costs                                | 6,227                      | 3,143                      | 3,036                        | 3,076                      |
| <b>Total Expenses</b>                        | <b>35,937</b>              | <b>36,125</b>              | <b>34,510</b>                | <b>36,175</b>              |
| <b>Net Deficit – Output Class 1</b>          | <b>(1,688)</b>             | <b>2,092</b>               | <b>(781)</b>                 | <b>(204)</b>               |
| <b>OUTPUT CLASS 2 -</b>                      |                            |                            |                              |                            |
| <b>MORE PEOPLE WINNING</b>                   |                            |                            |                              |                            |
| <b>Total Revenue</b>                         | <b>29,687</b>              | <b>33,457</b>              | <b>34,995</b>                | <b>33,305</b>              |
| Less Expenses                                |                            |                            |                              |                            |
| - Programme investment                       | 26,127                     | 26,171                     | 28,474                       | 25,492                     |
| - Programme support                          | 858                        | 6,114                      | 5,499                        | 6,305                      |
| - SPARC costs                                | 4,165                      | 1,771                      | 1,832                        | 1,697                      |
| <b>Total Expenses</b>                        | <b>31,150</b>              | <b>34,057</b>              | <b>35,805</b>                | <b>33,494</b>              |
| <b>Net Deficit – Output Class 2</b>          | <b>(1,463)</b>             | <b>(600)</b>               | <b>(810)</b>                 | <b>(189)</b>               |
| <b>OUTPUT CLASS 3 -</b>                      |                            |                            |                              |                            |
| <b>MORE PEOPLE PARTICIPATING</b>             |                            |                            |                              |                            |
| <b>Total Revenue</b>                         | <b>16,448</b>              | <b>18,330</b>              | <b>19,838</b>                | <b>21,363</b>              |
| Less Expenses                                |                            |                            |                              |                            |
| - Programme investment                       | 12,054                     | 13,879                     | 12,547                       | 12,345                     |
| - Programme support                          | 1,639                      | 6,058                      | 5,728                        | 7,238                      |
| - SPARC costs                                | 3,566                      | 1,986                      | 2,022                        | 1,900                      |
| <b>Total Expenses</b>                        | <b>17,259</b>              | <b>21,922</b>              | <b>20,297</b>                | <b>21,483</b>              |
| <b>Net Deficit – Output Class 3</b>          | <b>(811)</b>               | <b>(3,593)</b>             | <b>(459)</b>                 | <b>(120)</b>               |
| <b>OUTPUT CLASS 4 -</b>                      |                            |                            |                              |                            |
| <b>YOUNG PEOPLES LIFESTYLES (MISSION ON)</b> |                            |                            |                              |                            |
| <b>Total Revenue</b>                         | <b>0</b>                   | <b>0</b>                   | <b>4,031</b>                 | <b>17,368</b>              |
| Less Expenses                                |                            |                            |                              |                            |
| - Programme investment                       | 0                          | 0                          | 0                            | 3,100                      |
| - Programme support                          | 0                          | 0                          | 3,989                        | 14,268                     |
| - SPARC costs                                | 0                          | 0                          | 42                           | 0                          |
| <b>Total Expenses</b>                        | <b>0</b>                   | <b>0</b>                   | <b>4,031</b>                 | <b>17,368</b>              |
| <b>Net Deficit – Output Class 4</b>          | <b>0</b>                   | <b>0</b>                   | <b>0</b>                     | <b>0</b>                   |
| <b>Total Net Deficit</b>                     | <b>(3,962)</b>             | <b>(2,101)</b>             | <b>(2,050)</b>               | <b>(513)</b>               |

The 2005/06 and 2006/07 budgeted and estimated actual financial statements have been prepared under New Zealand Generally Accepted Accounting Practice and the 2007/08 forecast financial statements have been prepared under New Zealand International Financial Reporting Standards. This forecast financial statement is to be read in conjunction with the accounting policies and notes to the forecast financial statements on pages 28 to 35.

## Statement of forecast financial position

As at 30 June 2008

|                                      | Actual as<br>at 30 June<br>2006<br>\$000 | Budget as<br>at 30 June<br>2007<br>\$000 | Forecast as<br>at 30 June<br>2007<br>\$000 | Budget as<br>at 30 June<br>2008<br>\$000 |
|--------------------------------------|--|--|--|--|
| Note                                 |  |  |  |  |
| <b>CURRENT ASSETS</b>                |  |  |  |  |
| Cash and cash equivalents            | 16,702                                   | 11,109                                   | 10,474                                     | 2,231                                    |
| Trade and other receivables          | 3,279                                    | 3,312                                    | 3,325                                      | 3,285                                    |
| Prepayments                          | 2  | 0  | 0  | 0  |
| Funds held on behalf of the Crown    | 5 0                                      | 0  | 0  | 797                                      |
| <b>Total current assets</b>          | <b>19,983</b>                            | <b>14,421</b>                            | <b>13,799</b>                              | <b>6,313</b>                             |
| <b>LESS CURRENT LIABILITIES</b>      |  |  |  |  |
| Trade and other payables             | 8,136                                    | 5,574                                    | 4,732                                      | 3,520                                    |
| Employee Benefits                    | 559                                      | 575                                      | 575  | 600                                      |
| Loans and borrowings                 | 106                                      | 58                                       | 58   | 0  |
| Funds held on behalf of the Crown    | 5 6,497                                  | 5,568                                    | 5,800                                      | 0  |
| <b>Total current liabilities</b>     | <b>15,298</b>                            | <b>11,775</b>                            | <b>11,165</b>                              | <b>4,120</b>                             |
| Working capital surplus              | 4,685                                    | 2,646                                    | 2,634                                      | 2,193                                    |
| <b>NON-CURRENT ASSETS</b>            |  |  |  |  |
| Property, plant and equipment        | 401                                      | 317                                      | 347  | 311                                      |
| Intangible assets                    | 533                                      | 497                                      | 531  | 495                                      |
| <b>Total non-current assets</b>      | <b>934</b>                               | <b>814</b>                               | <b>878</b>                                 | <b>807</b>                               |
| <b>NON-CURRENT LIABILITIES</b>       |  |  |  |  |
| Loans and borrowings                 | 58                                       | 0  | 0  | 0  |
| <b>Total non-current liabilities</b> | <b>58</b>                                | <b>0</b>                                 | <b>0</b>                                   | <b>0</b>                                 |
| <b>Net assets</b>                    | <b>5,562</b>                             | <b>3,460</b>                             | <b>3,512</b>                               | <b>2,999</b>                             |
| Represented by:                      |  |  |  |  |
| Public Equity                        | 9,525                                    | 5,562                                    | 5,562                                      | 3,512                                    |
| Net surplus / (Deficit)              | (3,962)                                  | (2,101)                                  | (2,050)                                    | (513)                                    |
| <b>Total Public Equity</b>           | <b>5,562</b>                             | <b>3,460</b>                             | <b>3,512</b>                               | <b>2,999</b>                             |

The 2005/06 and 2006/07 budgeted and estimated actual financial statements have been prepared under New Zealand Generally Accepted Accounting Practice and the 2007/08 forecast financial statements have been prepared under New Zealand International Financial Reporting Standards. This forecast financial statement is to be read in conjunction with the accounting policies and notes to the forecast financial statements on pages 28 to 35.

## Statement of forecast cash flows

For the year ended 30 June 2008

| Note   | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                   |                            |                            |                              |                            |
| Cash inflow  |                            |                            |                              |                            |
| New Zealand Lotteries Grants Board                           | 28,220                     | 30,890                     | 30,890                       | 30,890                     |
| Vote Sport and Recreation                                    | 44,245                     | 51,088                     | 49,844                       | 52,288                     |
| Funds received on behalf of Crown                            |                            |                            |                              |                            |
| - Sport and Recreation (Mission-On)                          | -                          | -                          | 4,588                        | 10,321                     |
| - Prime Ministers Scholarships                               | 5,000                      | 5,000                      | 4,250                        | 4,250                      |
| Contract Revenue   | 5,312                      | 6,665                      | 6,653                        | 6,211                      |
| Interest Received  | 1,381                      | 1,260                      | 1,075                        | 1,100                      |
| Sundry Revenue   | 448                        | 100                        | 100                          | 150                        |
| <b>Total cash inflows</b>                                    | <b>84,606</b>              | <b>95,003</b>              | <b>97,400</b>                | <b>105,210</b>             |
| Cash outflow   |                            |                            |                              |                            |
| Cash disbursements to operations                             | 81,700                     | 91,746                     | 97,865                       | 109,373                    |
| Funds paid on behalf of Crown                                |                            |                            |                              |                            |
| - Prime Ministers Scholarships                               | 4,071                      | 5,825                      | 5,503                        | 3,800                      |
| <b>Total cash outflows</b>                                   | <b>85,771</b>              | <b>97,571</b>              | <b>103,368</b>               | <b>113,173</b>             |
| <b>Net cash inflow / (outflow) from operating activities</b> | <b>(1,165)</b>             | <b>(2,568)</b>             | <b>(5,968)</b>               | <b>(7,963)</b>             |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                   |                            |                            |                              |                            |
| Purchase of assets   | 491                        | 400                        | 260                          | 280                        |
| <b>Net cash inflow / (outflow) from investing activities</b> | <b>(491)</b>               | <b>(400)</b>               | <b>(260)</b>                 | <b>(280)</b>               |
| Net Increase / (Decrease) in cash held                       | (1,656)                    | (2,968)                    | (6,228)                      | (8,243)                    |
| Opening cash balance as at 1 July                            | 18,358                     | 14,077                     | 16,702                       | 10,474                     |
| <b>Closing cash balance as at 30 June</b>                    | <b>16,702</b>              | <b>11,109</b>              | <b>10,474</b>                | <b>2,231</b>               |
| <b>MADE UP OF</b>  |                            |                            |                              |                            |
| Cash and cash equivalents                                    | 16,702                     | 11,109                     | 10,474                       | 2,231                      |
| <b>Total</b>   | <b>16,702</b>              | <b>11,109</b>              | <b>10,474</b>                | <b>2,231</b>               |

*The 2005/06 and 2006/07 budgeted and estimated actual financial statements have been prepared under New Zealand Generally Accepted Accounting Practice and the 2007/08 forecast financial statements have been prepared under New Zealand International Financial Reporting Standards. This forecast financial statement is to be read in conjunction with the accounting policies and notes to the forecast financial statements on pages 28 to 35.*

## Reconciliation of surplus in the statement of forecast financial performance to the forecast net cash flow from operating activities

For the year ended 30 June 2008

| Note   | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|--|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>Net Surplus / (Deficit) from operations</b>                 | <b>(3,962)</b>             | <b>(2,101)</b>             | <b>(2,050)</b>               | <b>(513)</b>               |
| <b>Add / (Deduct) non-cash items</b>                           |                            |                            |                              |                            |
| Depreciation   | 303                        | 414                        | 317                          | 351                        |
| Increase / (Decrease) in employee entitlements                 | 0                          | 0                          | 0                            | 0                          |
| <b>Total non-cash items</b>                                    | <b>303</b>                 | <b>414</b>                 | <b>317</b>                   | <b>351</b>                 |
| <b>Gross cash inflow / (outflow) from operating activities</b> | <b>(3,659)</b>             | <b>(1,687)</b>             | <b>(1,733)</b>               | <b>(162)</b>               |
| <b>Add / (Deduct) movements in other working capital items</b> |                            |                            |                              |                            |
| (Increase) / Decrease in receivables (net)                     | 419                        | (3)                        | (44)                         | (757)                      |
| Increase / (Decrease) in payables and accruals                 | 2,075                      | (878)                      | (4,191)                      | (7,044)                    |
| <b>Net movement in other working capital items</b>             | <b>2,494</b>               | <b>(881)</b>               | <b>(4,235)</b>               | <b>(7,801)</b>             |
| <b>Net cash inflow / (outflow) from operating activities</b>   | <b>(1,165)</b>             | <b>(2,568)</b>             | <b>(5,968)</b>               | <b>(7,963)</b>             |

The 2005/06 and 2006/07 budgeted and estimated actual financial statements have been prepared under New Zealand Generally Accepted Accounting Practice and the 2007/08 forecast financial statements have been prepared under New Zealand International Financial Reporting Standards. This forecast financial statement is to be read in conjunction with the accounting policies and notes to the forecast financial statements on pages 28 to 35.

## Statement of forecast capital expenditure

For the year ended 30 June 2008

| Note                             | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|----------------------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| Intangible assets (Software)     | 491                        | 230                        | 250                          | 260                        |
| Property, plant and equipment    | 0                          | 170                        | 10                           | 20                         |
| <b>Total capital expenditure</b> | <b>491</b>                 | <b>400</b>                 | <b>260</b>                   | <b>280</b>                 |

The 2005/06 and 2006/07 budgeted and estimated actual financial statements have been prepared under New Zealand Generally Accepted Accounting Practice and the 2007/08 forecast financial statements have been prepared under New Zealand International Financial Reporting Standards. This forecast financial statement is to be read in conjunction with the accounting policies and notes to the forecast financial statements on pages 28 to 35.

## Statement of accounting policies

### Reporting entity and statutory basis for reporting

These forecast financial statements have been prepared in accordance with the requirements of section 141 of the Crown Entities Act 2004. For the purposes of financial reporting, Sport and Recreation New Zealand (SPARC) is a public benefit entity. SPARC was established as a Crown entity by the Sport and Recreation New Zealand Act 2002 to promote, encourage and support physical recreation and sport in New Zealand.

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

### Reporting period

These forecast financial statements are for the year ended 30 June 2008.

### Statement of Compliance

These forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards. These are SPARC's first forecast financial statements complying with NZ IFRS and NZ IFRS 1 has been applied.

The transition to NZ IFRS has not affected the reported forecast financial position, financial performance, and cash flows of SPARC, other than in terms of disclosure. Comparative figures have been restated to ensure consistency with the current period.

### Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these forecast financial statements and in preparing an opening NZ IFRS balance sheet as at 1 July 2006 for the purposes of the transition to NZ IFRS.

The forecast financial statements have been prepared on a going concern basis. The measurement base applied is historical cost.

The accrual basis of accounting has been used unless otherwise stated. These forecast financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

### Judgements and estimations

The preparation of forecast financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses<sup>1</sup>. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements that have significant effect on the forecast financial statements and estimates with a significant risk of material adjustment are discussed in note 1.

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<sup>1</sup>Where material, information on major assumptions is provided in the relevant accounting policy or will be provided in the relevant note.

### Goods and services tax

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, is included in Accounts Payable or Accounts Receivable.

### Taxation

SPARC is a Public Authority in terms of the Sport and Recreation New Zealand Act 2002 and is exempt from income tax under the Income Tax Act 1994.

### Revenue

Revenue from Goods and Services

Revenue from goods and services supplied to the Crown and other entities is measured at the fair value of consideration received. Revenue from supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised at balance date on a straight line basis over the specified period for the services.

Grant income received from the New Zealand Lottery Grants Board is recognised on receipt of the quarterly grant payments.

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

### Investment expenditure

Investments in the Sport and Recreation Sector

Where investments are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when all specified criteria for payment have been fulfilled and notice of such given to SPARC.

### Cost allocation

The costs of outputs, as reported in the statement of Forecast Output Class Allocation, report the costs of inputs and services purchased externally or provided internally, necessary to produce the outputs.

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.

SPARC allocates overheads (being the provision of corporate and support services) on the basis of management judgement of cost drivers that appropriately link indirect costs to the outputs.

### Financial Assets

Cash and cash equivalents include cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from the date of acquisition.

### Trade and other receivables

Receivables are stated at their expected realisable value after providing for doubtful and uncollectible debts. Most receivables relate to contracted services provided to Government departments. A small proportion of receivables relate to the sale of merchandise and some publications. In relation to these receivables, provision is considered when there has been a default in payment. The amount of any provision is recognised in the Statement of Financial Performance.

### Plant and equipment

#### Valuation

Items of plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

Realised gains and losses arising from disposal of plant and equipment are recognised in the Forecast Statement of Financial Performance in the period in which the transaction occurs.

The carrying amounts of plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Forecast Statement of Financial Performance.

#### Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost of an item of plant or equipment, less any estimated residual value, over its estimated useful life. The estimated useful lives of different classes of plant and equipment are as follows:

|                        |                                      |
|------------------------|--------------------------------------|
| Audio visual equipment | 3 years                              |
| Furniture and fittings | 10 years                             |
| Office equipment       | 10 years                             |
| Leasehold improvements | over the remaining term of the lease |

### Intangible assets

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Intangible assets are recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Forecast Statement of Financial Performance on a straight-line basis over the useful life of the asset. The estimated useful lives of these assets are as follows:

|                            |         |
|----------------------------|---------|
| Computer software licenses | 3 years |
| Computer software          | 3 years |

Realised gains and losses arising from disposal of intangible assets are recognised in the Forecast Statement of Financial Performance in the period in which the transaction occurs.

Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Forecast Statement of Financial Performance.

### **Employee entitlements**

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the Forecast Statement of Financial Performance when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

### **Leases**

Finance leases transfer to SPARC as lessee substantially all the risks and rewards incident on the ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which SPARC expects to receive benefits from their use.

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

### **Other liabilities and provisions**

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation.

### **Contingent liabilities**

Contingent liabilities are recorded in the Forecast Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

### **Changes in accounting policies**

These forecast financial statements have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS). There have been no significant changes to accounting policies on transition to NZ IFRS.

### **Comparatives**

When presentation or classification of items in the forecast financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

### **Segment reporting**

Segment information is presented for the four outputs provided by SPARC.

### **Related parties**

SPARC is a Crown entity and transacts with other Crown agencies on a regular basis. These transactions are conducted on an arms length basis.



## Notes to the forecast financial statements

### 1. ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL STATEMENTS

The forecast financial statements on pages 23 to 27 comply with the financial reporting requirements of Financial Reporting Standard 42: Prospective Financial Information, issued by the New Zealand Institute of Chartered Accountants. They have been compiled on the basis of assumptions as to future events that the Board reasonably expects to occur associated with the actions the Board reasonably expects to take as at June 13 2007, the date on which the forecast financial statements have been authorised for issue by the Board. The Board is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the forecast financial statements and all other required disclosures.

The most significant of the assumptions underlying the forecast financial statements is that SPARC will continue to deliver the range of programmes and investments currently provided and will also be in a position to deliver new initiatives for which it has received additional Crown funding.

Actual results are likely to vary from the information presented, and the variations may be material. The forecast financial statements disclose forecast results for the 2006/07 year which are based on actual financial results as at 30 April 2007, and forecast results from 1 May to 30 June 2007. It is not intended to update the forecast financial statements subsequent to preparation.

The forecast financial information has been prepared to meet the Crown financial reporting requirements of the Crown Entities Act 2004, to enable Parliament and other readers of the forecast financial statements to evaluate SPARC's financial prospects and to assess actual financial results prepared in future reporting periods against the forecast financial statements. The information in these forecast financial statements may not be appropriate for purposes other than those described.

### 2. VOTE FUNDING – SPORT AND RECREATION

|   | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|---|----------------------------|----------------------------|------------------------------|----------------------------|
| <b>Vote Sport and Recreation</b>  |                            |                            |                              |                            |
| Sport and Recreation Programmes<br>(as disclosed in Statement of Forecast<br>Financial Performance) | 44,245                     | 51,088                     | 49,844                       | 52,288                     |
| Children and Young Peoples<br>- Lifestyle (Mission-On)  | 0                          | 0                          | 10,288                       | 11,111                     |
| Prime Ministers Scholarships  | 5000                       | 5000                       | 4,250                        | 4,250                      |
| <b>Total Vote Sport and Recreation</b>  | <b>49,245</b>              | <b>56,088</b>              | <b>64,382</b>                | <b>67,649</b>              |

This table reflects the Crown funding appropriated to SPARC via Vote Sport and Recreation in the 2007/8 Estimates. Funding for Sport and Recreation Programmes (including high performance sport) is directly disclosed in the Statement of Forecast Financial Performance. Funding for Mission-On and Prime Minister's Scholarships is disclosed in more detail in Note 5 as Funds held on Behalf of the Crown.

The \$1.200 million increase in Sport and Recreation Programmes budgets between 2006/07 and 2007/08 is the result of increases in the following:

- Direct Athlete Support Scheme \$0.667 million
  - Regional Sports Development \$1.422 million
- \$2.089 million**

offset by a reduction in funding for Active Schools of \$0.889 million.

All these changes were signalled in previous Budgets (2004 and 2005).

Mission-On is a four year initiative which commenced in 2006/07. Funding appropriated for this initiative increased by \$0.823 million between 2006/07 and 2007/08.

### 3. OPERATING EXPENDITURE

|   | Actual<br>2005/06<br>\$000 | Budget<br>2006/07<br>\$000 | Forecast<br>2006/07<br>\$000 | Budget<br>2007/08<br>\$000 |
|---|----------------------------|----------------------------|------------------------------|----------------------------|
| Programme investments   | 60,229                     | 65,748                     | 66,100                       | 67,251                     |
| Programme support *   | 10,159                     | 14,717                     | 16,889                       | 28,792                     |
| Personnel costs   | 7,674                      | 9,155                      | 9,541                        | 10,222                     |
| Rental of premises  | 304                        | 346                        | 362                          | 345                        |
| Rental of equipment   | 223                        | 269                        | 254                          | 216                        |
| Depreciation  |                            |                            |                              |                            |
| - office furniture and fittings   | 24                         | 23                         | 23                           | 24                         |
| - audio-visual equipment  | 11                         | 1                          | 1                            | 1                          |
| - leasehold improvements  | 124                        | 124                        | 41                           | 30                         |
| Amortisation  |                            |                            |                              |                            |
| - computer software   | 144                        | 266                        | 252                          | 296                        |
| Board members remuneration  | 81                         | 96                         | 104                          | 176                        |
| External audit fees – Audit NZ  | 45                         | 40                         | 49                           | 49                         |
| Other operating Expenditure   | 5,328                      | 1,319                      | 1,027                        | 1,116                      |
| <b>Total operating expenditure</b>  | <b>84,346</b>              | <b>92,104</b>              | <b>94,643</b>                | <b>108,520</b>             |
| <b>* Programme support as reported in the Statement of Financial Performance and Output Class Allocation is made up as follows;</b> |                            |                            |                              |                            |
| Programme support as above  | 10,159                     | 14,717                     | 16,889                       | 28,729                     |
| Personnel costs directly attributed to programmes   | 0                          | 4,739                      | 4,722                        | 5,804                      |
| <b>Total programme support</b>  | <b>10,159</b>              | <b>19,456</b>              | <b>21,611</b>                | <b>34,596</b>              |

The increase in total operating expenditure between 2006/07 and 2007/08 is primarily a result of increased activity in relation to Mission-On initiatives.

From 2006/07, direct and indirect personnel costs and other operating costs that are directly attributable to the delivery of SPARC's programmes have been determined and classified as programme support costs rather than SPARC costs. This change in classification is reflected by a decrease in other operating expenditure between 2005/06 and subsequent years. The above sub-table for total programme support costs also shows the direct personnel costs determined and classified as programme support costs from 2006/07 onwards.

#### 4. ACCUMULATED FUNDS

SPARC had accumulated funds in its first two and a half years of operation to 30 June 2005 through the generation of unbudgeted operating surpluses. SPARC's implementation of its work programme from 1 July 2005 has resulted in the generation of operating deficits for the following three years and a decrease in total accumulated funds to a level of \$3 million by 30 June 2008.

#### 5. FUNDS HELD AND ADMINISTERED ON BEHALF OF THE CROWN

SPARC holds two types of funds on behalf of the Crown, Prime Minister's Scholarship Funds and Funds Held to be Applied to Children and Young Peoples Lifestyles ("Mission-On") initiatives.

|   | Actual as<br>at 30 June<br>2006<br>\$000 | Budget as<br>at 30 June<br>2007<br>\$000 | Forecast as<br>at 30 June<br>2007<br>\$000 | Budget as<br>at 30 June<br>2008<br>\$000 |
|---|--|--|--|--|
| Children and Young Peoples Lifestyles<br>(Mission On)         |  |  |  |  |
| Funds Brought Forward   | 0  | 0  | 0  | 7,047                                    |
| Funds Received Vote Sport and Recreation                      | 0  | 0  | 10,288                                     | 11,111                                   |
| Funds Transferred from 2006/07 to 2007/08                     | 0  | 0  | (5,700)                                    | 5,700                                    |
| Less funds transferred from Prime Ministers<br>Scholarships   | 0  | 0  | 0  | (6,490)                                  |
| <b>Total Funds Received</b>                                   | <b>0</b>                                 | <b>0</b>                                 | <b>4,588</b>                               | <b>10,321</b>                            |
| Funds transferred from Prime Ministers<br>Scholarships        | 0  | 0  | 6,490                                      | 0  |
| <b>Total Appropriations</b>                                   | <b>0</b>                                 | <b>0</b>                                 | <b>11,078</b>                              | <b>10,321</b>                            |
| Funds Disbursed - transferred to SPARC<br>Operating Revenue   | 0  | 0  | (4,031)                                    | (17,368)                                 |
| <b>Balance Held on Behalf of the Crown</b>                    | <b>0</b>                                 | <b>0</b>                                 | <b>7,047</b>                               | <b>(0)</b>                               |
| Prime Ministers Scholarships Funds Brought<br>Forward         |  |  |  |  |
| Prime Ministers Scholarships Funds Brought<br>Forward         | 5,568                                    | 6,393                                    | 6,497                                      | (1,247)                                  |
| Funds Received Vote Sport and Recreation                      | 5,000                                    | 5,000                                    | 4,250                                      | 4,250                                    |
| Funds transferred to Children and Young<br>Peoples Lifestyles | 0  | 0  | (6,490)                                    | 0  |
| Funds Disbursed - Scholarships                                | (4,071)                                  | (5,825)                                  | (5,503)                                    | (3,800)                                  |
| <b>Balance Held on Behalf of the Crown</b>                    | <b>6,497</b>                             | <b>5,568</b>                             | <b>(1,247)</b>                             | <b>(797)</b>                             |
| <b>Total Funds Held on Behalf of the<br/>Crown</b>            | <b>6,497</b>                             | <b>5,568</b>                             | <b>5,800</b>                               | <b>(797)</b>                             |

Prime Minister's Scholarships are administered and distributed by SPARC on behalf of the Crown. For a number of years the funding received from the Crown had exceeded the cost of scholarships sought and awarded. As a result, \$6.5 million was being held in accumulated funds as at 30 June 2006.

In September 2006 Cabinet made a decision to apply the unspent accumulated Prime Minister's Scholarship funds to Children and Young Peoples Lifestyles initiatives ("Mission-On"). For the first time in 2006/07, the scholarships sought and awarded exceeded the level of Crown funding provided. For this reason, the forecast level of Prime Minister's Scholarship Funds at 30 June 2007 and the budget for 30 June 2008 reflect a deficit. Over the following two years, the deficit will be eliminated through restricting the level of scholarships awarded.

The estimate of funds to be disbursed on Scholarships in 2007/08 is subject to the outcome of a current review of the Prime Minister's Scholarship programme.

Due to initial delays in the scoping and implementation of Mission-On initiatives, SPARC's expenditure for Mission-On initiatives in 2006/07 is substantially less than the vote funding for 2006/07. For this reason, SPARC has made arrangements with the Ministry of Culture and Heritage to transfer \$5.7 million of 2006/07 vote funding to 2007/08.

As disclosed above, \$6.5 million was applied to Mission-On from Prime Minister's Scholarship Funds in 2006/07. SPARC has also made arrangements with the Ministry of Culture and Heritage to reduce vote funding due to be received in 2007/08 by \$6.5 million.

All 2006/07 and 2007/08 funds received for Mission-On initiatives will be fully expended by 30 June 2008. Vote Sport and Recreation funding for Mission-On initiatives will continue through until 2009/10 with future year's funding to be fully expended within the year of receipt.



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