

# ACCOUNTING FOR NON-ACCOUNTANTS

**SPORT AND RECREATION  
ORGANISATIONS**

—  
OCTOBER 2019

# 04

## STRATEGIC MANAGEMENT

# 4.1

## STATEMENT OF SERVICE PERFORMANCE

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Strategic management accounting is the provision of information to support the long-term strategic decisions in an organisation.

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If an organisation is a New Zealand registered charity, there is, in addition to providing financial reports, a requirement to supply non-financial information in a Statement of Service Performance (SSP) under Tier 3 (operating expenditure of less than \$2 million) and Tier 4 (operating expenditure of less than \$125,000), which was introduced in 2015. If an organisation is not a registered charity, these requirements can be applied to other non-profit sporting entities.

An aim of the SSP is to give accountability for the resources used by an organisation in achieving the reason for their existence – or mission.

For Tiers 3 and 4 the following information about the organisation must be supplied:

- A. The legal name of the charity, the legal basis and type of entity and its registration number.
- B. The charity's purpose or mission.
- C. The structure and governance of the charity.
- D. The main sources of the charity's cash and resources.
- E. The main methods used by the charity to raise funds.
- F. The charity's reliance on volunteers and donated goods or services.
- G. Contact details.
- H. Any other information on the charity that it wishes to disclose to readers.
- I. Description of the entity's outcomes (optional for Tier 4) – what the entity is seeking to achieve in terms of its impact on society.
- J. Define the charity's outputs, and quantify these to the extent practicable. These outputs are goods or services delivered during the year (a charity should put in place systems to record actual outputs delivered).

## 4.2

# ORGANISATIONAL RESOURCES, OUTCOMES AND OUTPUTS

The SSP requirement for an organisation to list its sources of cash and resources, and the reliance on volunteers and donated goods and services, shows the resources that are available to produce outcome(s) – that is, what is hoped to be achieved. When the outcome(s) have been determined, a plan is put in place to achieve this, with the result being output(s).

## OUTCOMES

are what a charity hopes to achieve through its activities, and relates to its mission or purpose.

## OUTPUTS

are the significant activities that the charity has been involved in during the year.

For example, as an outcome, the Hampden Tennis Club wishes to engage the 65+ age group in playing midweek tennis to improve their fitness, and as a social outing. The output the club is hoping to achieve is at least 30 members attending, on average, every Wednesday morning.

The resources the club has estimated it needs to achieve this is \$300 in printing costs for a pamphlet drop, and \$300 per year to supply tea and coffee. Some of the members have volunteered to bake biscuits or a cake to bring along for morning tea.

The club manager is given the task of recording the attendees, so at the end of the financial year this output can be presented as part of the SSP to members to determine if the club and volunteer resources have produced a successful outcome.

Tier 4 organisations just have to list the outcomes, not outputs – but doing this would give the members of an organisation more information about its activities.



**It is a good idea to set up a system of quantifying the outputs to make reporting easier at the end of the financial year.**

## 4.3 SUFFICIENT RESOURCES

As discussed in Section 2 under budgeting, it should be the responsibility of the governing body in setting the budget to determine what resources are needed to achieve the outcomes of the organisation. In addition to basic infrastructural costs, which enable an organisation to exist – such as building electricity, telephone/internet, insurance and rent – additional resources will be needed to achieve the outcome(s) and output(s).

The Hampden Tennis Club was embarking on a project to build a new pavilion.

The outcome was to provide a facility where members could change and shower. This building would also contain a small grandstand to provide seating for planned exhibition tennis matches.

The output the club was trying to achieve was to raise from grants \$100,000 to purchase materials for stage one of the project, and to use club volunteer building labour.

Unfortunately, the club only managed to raise \$30,000 for this, which was insufficient to begin the project. This has placed the club in a serious position as they have not ring-fenced this money in a separate account and improper use of funds has taken place by using it to pay other operating expenses.

It is therefore crucial for ambitious outcomes to have a plan for securing the resources required to complete it and to produce outputs.

In the example on the previous page for the Hampden Tennis Club, the resources required were not significant in either financial or non-financial terms. However, some outcomes can involve more significant resources.

### An output reporting register

The Hampden Tennis Club's outcomes for the 20X1 year were to:

“Recruit more 65+ age group members for midweek tennis to improve their fitness and social well-being.”

“Encourage the competitiveness of junior tennis.”

“Improve the amenities for members.”

“Diversify club revenue apart from member subscriptions.”

“Reduce the falling membership by encouraging a social aspect to the club.”

## 4.3 SUFFICIENT RESOURCES

These outcomes can be presented at year end in table form, and of course should be tracked by the governing body during the year. The SSP does not require budgeted outputs to be reported on – that is, what they hoped to achieve.

This is the Hampden Tennis Club's list of significant outputs for the 20X1 year:

ACTIVITY DESCRIPTION (OUTPUTS) (REQUIRED)	ACTUAL THIS YEAR (REQUIRED)	BUDGET THIS YEAR (OPTIONAL)	ACTUAL LAST YEAR (REQUIRED)
Average attendance of 20 members at midweek 65+ tennis over 40 weeks	12	20	14
Hold two area junior tennis tournaments	2	2	1
Encourage socialising at the bar after Saturday tennis, with an average of 50 members participating per week over the summer season	27	50	45
Complete eight applications needed to raise \$100,000 funds for the pavilion	1	8	N/A
Refurbish two of the courts during winter	2	2	0
Increase the adult membership by 20	(6)	10	(8)
Increase revenue from tennis lessons by 25% in 20X1	25%	57.5%	N/A

Providing outputs from the stated outcomes of the club reveals what has been achieved (or not) with resources provided to the organisation. It is one thing to show the financial results of an organisation and another to show just what has been achieved. It is possible to have a solid financially performing organisation, but one that is not achieving the reason for its existence – either poorly or not at all.

## 4.4 KEY PERFORMANCE INDICATORS

Key performance indicators or KPIs, are a quantifiable measure used in the evaluation of an organisation. They are also associated with targets, such as strategic outputs.

It is important to measure only those KPIs that are crucial to the success of the organisation.

Hampden Tennis Club's KPIs include the following:

- Annual profit
- Gain/loss of members – junior, midweek and adult
- Fundraising return on investment
- Average number of adult members participating in club days
- Successful grant applications for the pavilion
- Club member satisfaction ratings
- Number of court hours used by non-members



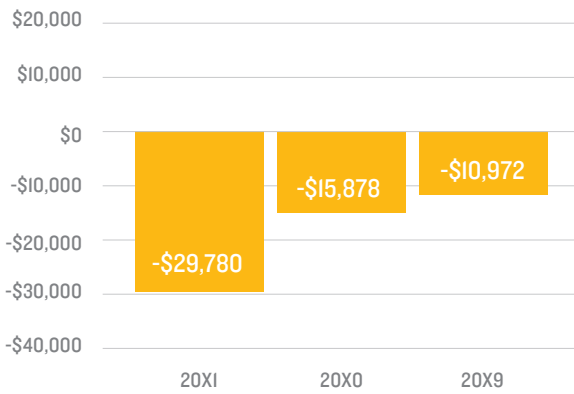
# 4.5 DASHBOARD

In recent times a dashboard approach to displaying KPIs has been common. This lists an organisation's KPIs infographically.

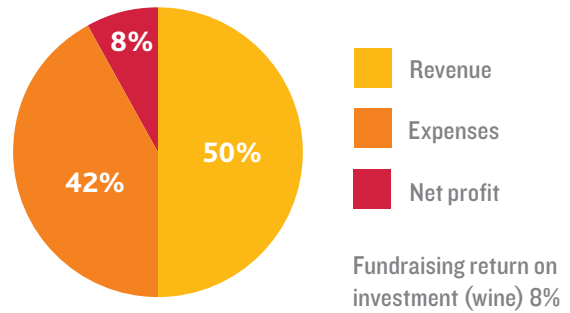
These can be handed out as part of management reports or given to members at annual general meetings.

Shown below is an example of a dashboard for Hampden Tennis Club based on its KPIs.

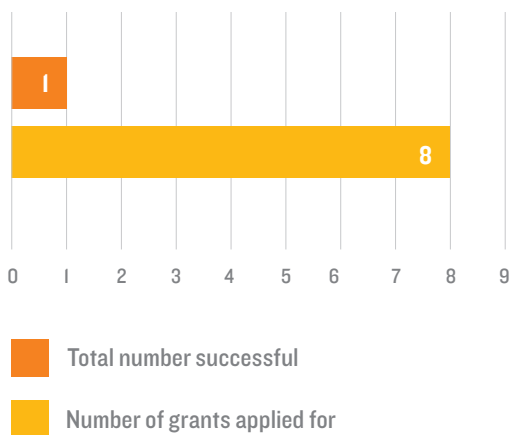
**Annual profit (loss)**



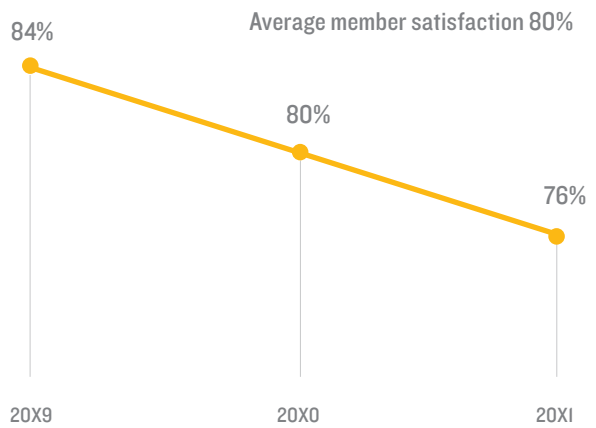
**Wine fundraising**



**Grant applications for pavilion**

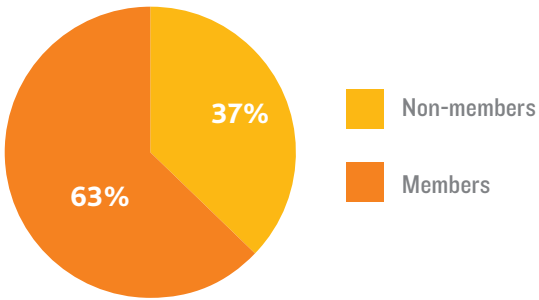


**Member satisfaction**

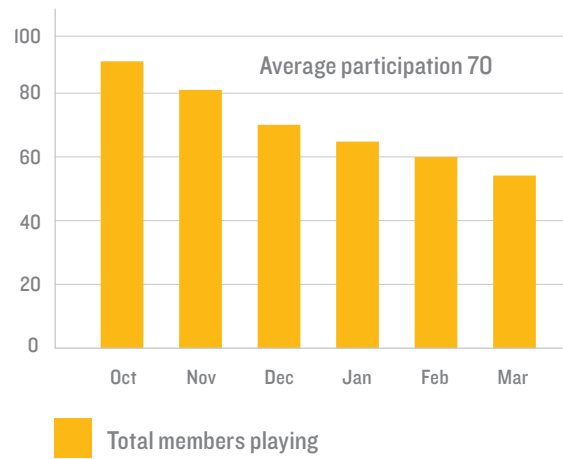




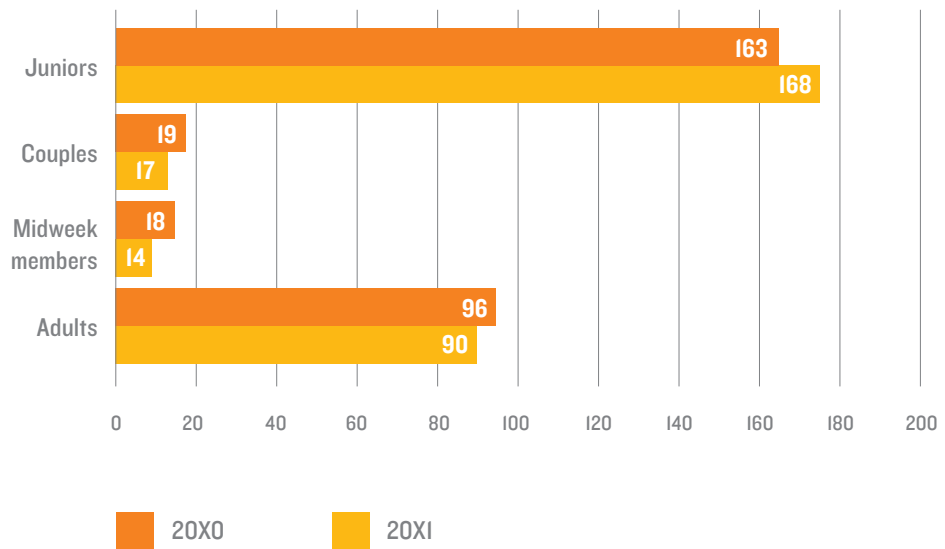
Percentage use by non-members vs members



Participation of adult members in club days



Club membership













Level 1, Harbour City Centre  
29 Brandon Street  
Wellington 6011, New Zealand  
PO Box 2251 Wellington 6140  
Phone: +64 4 472 8058  
[SPORTNZ.ORG.NZ](http://SPORTNZ.ORG.NZ)

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