

Statement of Intent

2010–2013

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



Foreword



We are pleased to present SPARC's Statement of Intent for 2010-13 (the SOI). The SOI reflects the priorities of the Government and the Board of SPARC over the next three years. It sets out how SPARC will direct its investment into the sport and recreation sector, what SPARC intends to achieve in that time and how SPARC will show it has achieved its goals.

Our first priority is creating a step change in how high performance sport is managed in New Zealand by:

- investing in the development of new high performance facilities;
- developing a new one-stop approach to the funding of elite athletes; and
- reconsidering the best way to govern and deliver high performance sport.

To this end, the Government has committed an extra \$45 million over the next three years to high performance sport. To provide greater impetus and a new focus, SPARC has established a subsidiary board to oversee the high performance system. In line with the Minister's expectations, we have already directed additional funding into facility development, technology and innovation.

These measures will deliver better performance by focusing on athlete needs and create a network of world-class facilities throughout the country. This will allow our top athletes to train in the best conditions and our coaches and sport specialists to exchange knowledge and expertise in a hot-house environment. As a result, SPARC is confident that New Zealand's results at future Olympic and world championship events will improve.

Another key area for SPARC is seeing more school-aged children participate in organised sport. The new KiwiSport fund was announced by the Government last year and is critical to this. Under KiwiSport, a Regional Partnership Fund of \$8.5 million per year (forming part of the fund total of \$20.485 million per year) goes to grassroots sport – allowing communities, schools, clubs and regional sports trusts to work together to get kids into sport and keep them in sport.

Finally, as New Zealand prepares to host the Rugby World Cup next year, SPARC will work closely with the event organisers to help plan and support the volunteers programme. In addition, SPARC will be working on other legacy initiatives leveraging off the Rugby World Cup. Again, Kiwi kids are integral to this and youth leadership and youth initiatives will be a focus.

SPARC recognises that improving the capability of our partners is essential to delivering on these priorities and this is especially challenging in the current economic environment. SPARC has to hold its partners and itself accountable for taxpayer investment and intervene where that investment is not delivering what it should. For this reason we have closely reviewed our spending and services, and intend to become a leaner, more efficient organisation that targets services and investment to the front-line where they will do most good for New Zealanders. SPARC will continue to assess the capability of our partner organisations and assist where we identify opportunities for developing capability within those organisations.

Most of SPARC's funding comes from parliamentary appropriations. In addition, we would like to acknowledge that a large portion of our funding (forecast to be \$30.5 million in 2010/11) derives from the activities of the Lotteries Commission and is allocated to SPARC by the New Zealand Lottery Grants Board.



Paul Collins
Chairperson
Sport and Recreation New Zealand



Bill Birnie
Deputy Chairperson
Sport and Recreation New Zealand

Goals for sport and recreation

SPARC's goals

SPARC has a Strategic Plan in place for 2009-2015. The Strategic Plan has three high-level goals:

More kids in sport and recreation

As measured by:

- 80% of school-aged children participating in organised sport and recreation for at least three hours a week – delivered through schools, after-school programmes, clubs and organised activities; and
- more young people staying in sport and recreation after secondary school.

More New Zealanders in sport and recreation

As measured by:

- half a million more adult New Zealanders participating at least once a week in sport and recreation; and
- more than one million people volunteering in sport and recreation by 2015.

More winners on the world stage

As measured by:

- New Zealand winning 10 or more medals at the 2012 London Olympics; and
- the Black Caps, Silver Ferns and All Blacks winning world championships by 2015.¹

¹ By winning world championships, we mean the Black Caps winning an International Cricket Council World Tournament by 2015; the Silver Ferns winning the Netball World Championship in 2011; and the All Blacks winning the Rugby World Cup in 2011. After 2011/12, we will revise our goals for netball, rugby and the Summer Olympic Games.

Government's goals for sport and recreation

The Government's expectations in the coming year for SPARC are to:

- make a step change in the way high performance sport is structured and delivered;
- ensure that the KiwiSport Regional Partnership Fund is fully implemented and creates partnerships between schools, clubs, local authorities, private investors and other bodies to deliver more sporting opportunities for young New Zealanders;
- create a leaner, more efficient SPARC;
- help the sport and recreation sector become more efficient and effective; and
- develop initiatives to deliver sporting legacy results from the Rugby World Cup 2011.

To deliver on these expectations SPARC will:

- evaluate the way high performance sport is currently structured by:
 - implementing a new governance structure for high performance sport;
 - directing investment into high performance facilities through public/private partnerships to create a network of world-class high performance facilities based around a New Zealand centre of excellence;
 - developing a new approach to the management and funding of elite athletes;
 - ensuring top athletes have priority access to new technology and innovation through public-private partnership; and
 - securing more world-class sports experts such as coaches, performance directors and specialist support staff;
- implement a new contestable investment approach for outdoor recreation that will lead to increased long-term participation by young people in the outdoors;
- simplify our funding approach to reduce red tape for sport and recreation organisations;
- use SPARC's Organisational Development Tool to assess capability and provide targeted assistance to national sport organisations and regional sports trusts in order to strengthen the capability of the sector; and
- strengthen the volunteer base in the sport and recreation sector by supporting volunteer legacy initiatives during the Rugby World Cup 2011.

About SPARC

SPARC's functions

SPARC was established as a Crown entity on 1 January 2003 under the Sport and Recreation New Zealand Act 2002 (the Act) to "promote, encourage and support physical recreation and sport in New Zealand". SPARC's functions are set out in section 8 of the Act. A full list of functions is set out in the Appendix to this SOI.

Governance of SPARC

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 SPARC's strategic direction and for providing governance and leadership for the agency. As at 1 May 2010 the SPARC Board comprised the following:

Board member	Appointed	Term ends
Paul Collins (Chair)	7 May 2009	30 Apr 2012
Bill Birnie (Deputy Chair)	7 May 2009	30 Apr 2012
Rob Fisher	1 July 2005	30 June 2011
Nicki Turner	31 Aug 2007	1 Sept 2010
Paul Allison	31 Aug 2007	1 Sept 2010
Katie Sadler	1 July 2009	30 June 2012
Waimarama Taumaunu	1 July 2009	30 June 2012
Don Mackinnon	1 July 2009	30 June 2012

SPARC's role

SPARC's delivery model is based on partnering with key organisations in the sport and recreation sector (primarily national-level sport and recreation organisations and regional sports trusts) to help us achieve our outcomes.

These partner organisations deliver sport and physical recreation to New Zealanders from the grassroots to the high performance level. SPARC is not primarily a delivery agency, but is responsible for setting direction and providing investment and resources to the sector. SPARC works to:

- **Invest** – target investment to organisations that are the most capable and ready to deliver on our outcomes.
- **Lead** – provide clear and strong leadership and work in the best interests of the sport and recreation sector through advocacy, policy development and research, and coordination of the sector to be stronger and more effective.
- **Enable** – build the capability of our partners by providing staff, resources, research and examples of good practice across the sector – for example, in coaching, governance and management systems, research and monitoring.

Funding of SPARC

SPARC is partly funded by the Government from money voted by Parliament. It is also funded from money provided by the New Zealand Lottery Grants Board.

SPARC's financial reserves

At 30 June 2010 SPARC's public equity reserves are forecast to be \$29.5 million. Reserve levels are high principally because of unspent funds carried over following the closure of the Mission-On programmes and additional one-off NZ Lottery Grants Board funding received in 2009/10. These unspent funds have been fully committed to projects and programmes rolling out between 2010/11 and 2012/13, comprising:

- \$11.7 million for high performance sport infrastructure and technology investments;
- \$12.8 million for initiatives to support participation in sport and recreation by New Zealanders – including KiwiSport.

SPARC's ongoing base level of public equity reserves from 2013 will be \$5 million; a level which allows SPARC to prudently manage the financial risks associated with fluctuating lottery profit levels, and three-year funding commitments it has provided to many of its sport and recreation sector partners.

Monitoring progress

Over the next six years, SPARC will ensure that our impact on the sector is measured and monitored. Some of our performance targets do not yet have appropriate baselines against which progress can be measured, so in these cases we will establish new baselines.

Forecast service performance

The bulk of our activities are directed towards achieving three broad outcomes:

1. More Kiwis (children and adults) in sport and recreation.
2. Strong partner organisations that consistently deliver on agreed outcomes.
3. More Kiwis winning on the world stage.

These three outcomes reflect the breadth of the sport and recreation sector, from grassroots participation to high performance success. Underpinning all of this is a strong sport and recreation sector that works with us to achieve outcomes for the benefit of all New Zealanders.

Outcome 1: More Kiwis in sport and recreation

WHAT ARE WE SEEKING TO ACHIEVE?

We want:

- young New Zealanders (aged 0–18) to develop a love of sport and recreation that leads to lifelong participation; and
- adult New Zealanders to continue to participate in a range of quality sport and recreation experiences that will inspire them to stay in sport and recreation for life.

OPERATING ENVIRONMENT

Sport and recreation contribute greatly to the health and social development of New Zealanders and their communities, but many factors, including limited incomes, busy lifestyles, family commitments, school work and part-time paid work can all limit adults' and young people's participation.

CHILDREN AND YOUNG PEOPLE

The KiwiSport initiative is providing opportunities for schools, clubs and other community organisations to work together through regional sports trusts to promote participation for school-aged children. KiwiSport provides funding to schools for Year 1-8 students and Year 9-13 students through the Ministry of Education and regional sports trusts (who distribute funding on behalf of SPARC).

Schools are a key provider of sport and recreation for young New Zealanders and are a particularly important place to develop fundamental movement and basic sport skills. However, many students are not acquiring these skills in their early years. Academic subjects are prioritised over physical education, and sport and recreation has a lesser emphasis in some schools. At the same time there are significant opportunities to get school-aged children more involved in sport and recreation through clubs, schools and communities.

Over half of 12 to 18-year-olds are involved in sports teams or clubs outside of school and around half of secondary school students are enrolled in school sports teams (with boys slightly more active than girls). This is a good start, but we need to increase this rate of participation and also address the rate at which young people drop out of sport and recreation when they leave school.

ADULTS

During any week, almost 80% of adults participate in at least one sport or physical recreation activity. Over one year, one in four adults volunteered in sport and recreation and almost 40% of adults participated in at least one event or organised competition.² This is all good news and shows that adult New Zealanders are still participating at similar rates to previous surveys.

However, anecdotal evidence suggests a change in the way New Zealanders want to participate in sport and recreation: many of us would rather pay a one-off user fee each time we participate rather than join a club. This means we are less likely to volunteer or commit to a single club. Competition is increasing between codes, clubs and schools for limited facilities. All this presents challenges for the thousands of organisations in the sport and recreation sector.

RECREATION

Participation in recreation is changing and New Zealanders are demanding more informal opportunities to participate closer to where they live that can be fitted into busy schedules. Competing use of natural resources, either by other recreationalists or industry, can also lead to reduced opportunities for participation. Other issues in the outdoor sector include duplication of service providers and variable safety and training standards. SPARC has established the Sir Edmund Hillary Outdoor Recreation Council to provide advice to SPARC on how to meet these challenges.

² 2007/2008 Active New Zealand survey.

WHAT WILL WE DO TO ACHIEVE THE OUTCOME OF MORE KIWIS IN SPORT AND RECREATION?

For children and young people:

- Through KiwiSport and other initiatives, SPARC will invest in regional sports trusts and national sport organisations to deliver initiatives that develop basic skills in pre-schoolers and primary school children, and provide more organised sport for all school-aged children in and out of school.
- In particular, we will work to build the links between schools, clubs and community organisations so that all school-aged children are given accessible and appropriate sporting and recreational opportunities.

For adults:

- SPARC will support national, regional and community partners that concentrate on providing opportunities for adults to participate – whether as athletes, coaches or volunteers.
- We will also provide specialist resources and advice to targeted sports to develop a pathway for their members from grassroots sport to elite sport and to encourage better alignment between club and school sport.

In outdoor recreation:

- SPARC will implement a new contestable investment approach for outdoor recreation for more focused and efficient investment.

Outcome 1: More Kiwis in sport and recreation

HOW WILL SPARC DEMONSTRATE THAT MORE NEW ZEALANDERS ARE PARTICIPATING IN SPORT AND RECREATION?

Inputs	Outputs 2010/11	Medium-term outcomes (3-5 years)	Long-term outcomes (5+ years)
<p>SPARC will provide investment, capability support and leadership to national sport organisations, recreation organisations, regional sports trusts, territorial authorities, iwi organisations and other sport and recreation providers.</p> <p>In 2010/11, SPARC's investment levels in its partners are budgeted to be:</p> <ul style="list-style-type: none"> • \$12m invested into regional sports trusts for community sport and recreation outcomes. • \$8.25m invested into national sports organisations for community sport and recreation outcomes. • \$11.08m invested into regional sports trusts for KiwiSport Regional Partnership Fund. • \$1.7m invested to deliver community sport and recreation outcomes for Maori (He Oranga Poutama). • \$1.4m invested into organisations to deliver community sport and recreation outcomes for New Zealanders with disabilities. • \$1.7m invested into organisations to deliver recreation outcomes. 	<p>SPARC's investment in sport and recreation organisations will deliver programmes, resources and services that contribute to increased participation in sport and recreation by New Zealanders.</p> <p>Regional sports trusts and national sport organisations will provide information on how they are contributing to SPARC's outcomes. This will help us to ensure that we are able to track the effectiveness and efficiency of programmes, resources and services from 2011 onwards.</p> <p>Performance measures for 2010/11 are:</p> <ol style="list-style-type: none"> 1. Four national sport organisations (Netball NZ, Hockey NZ, Gymsports NZ, and NZ Football) complete whole-of-sport plans to integrate delivery of their sport from grassroots to high performance levels. 2. 17 regional sports trusts have distributed the KiwiSport Regional Sport Fund in line with plans approved by SPARC to provide an increase in sporting opportunities for school-aged children. 3. A legacy initiative is developed around the Rugby World Cup 2011 to strengthen the volunteer base of the sport and recreation sector by 30 July 2011. 4. A community sport strategy is finalised by SPARC by 31 December 2010 aimed at encouraging greater participation in organised sport at the community level. 	<p>Improvement in the fundamental movement and basic sport skill levels of kiwi kids.</p> <p>Increase in the number of primary and secondary school kids participating in organised sport and recreation.</p> <p>Increase in the number of adult New Zealanders participating in sport and recreation through organised sport and recreation.</p> <p>Increase in the number of volunteers supporting community sport and recreation.</p> <p>These outcomes will be tracked using tools such as data from the New Zealand Secondary Schools Sports Representation Census, evaluations of fundamental skills programmes, data from other agencies' surveys and sports club membership data.</p> <p>Current baselines using the 2007/2008 Active NZ Survey are:</p> <ul style="list-style-type: none"> • Over 12 months 25.3% of adults volunteered in sport and recreation. • During any week, 79% of adults participated in at least one sport or recreation activity. <p>Remaining baselines will be established over 2010/11.</p>	<p>Our long-term outcome is to have more New Zealanders in sport and recreation, as measured by:</p> <ul style="list-style-type: none"> • 80% of school-aged children participating in organised sport and recreation at least three times per week. • More young people staying in sport and recreation after secondary school. • Half a million more adult New Zealanders participating at least once a week in sport and recreation. • Over one million people volunteering in sport and recreation by 2015.

Outcome 2: Strong partners that consistently deliver

WHAT ARE WE SEEKING TO ACHIEVE?

Because our partner organisations deliver sport and recreation opportunities to New Zealanders, these organisations need to be well managed, sustainable and capable of delivering results. This means we have to support the capability of our partners and, where appropriate, provide expertise, resources, research and good practice to the sector – for example in governance and management systems, good practice in the delivery of sport and recreation, information technology, human resources and performance monitoring.

OPERATING ENVIRONMENT

New Zealanders depend on the ongoing hard work, commitment and success of the sport and recreation sector. The great strength of the sector is the people, paid and unpaid, who give their time to run organisations, coach teams, transport players, pass on skills and knowledge, and contribute in a myriad of other ways.

At present, these people face many obstacles. Often, sector organisations face challenges in recruiting and retaining the right people. Many organisations face insecurity of revenue sources and/or internal cashflow issues. As technology changes, organisations struggle to cope with information technology. Overall, many sport and recreation organisations are reliant on inflexible or antiquated organisational structures or delivery models.

The outdoor recreation sector faces additional challenges of fragmentation and competition, which chew up resources and duplicate effort. To make better use of limited resources, the recreation sector needs to work together more collaboratively.

WHAT WILL WE DO TO ACHIEVE THIS OUTCOME?

SPARC will prioritise a small number of partner organisations for direct support and investment, targeting those organisations most capable of supporting SPARC's strategic priorities. SPARC's remaining partners will be supported through the development of widely accessible good practice tools and resources.

We will develop a capability development plan jointly with each targeted partner organisation. Capability development will focus primarily on leadership, governance and the management of finances and people. Of these areas, SPARC sees governance and leadership as essential for developing a strong sport and recreation sector.

Once the plans are in place, SPARC will provide support for each organisation to help them better manage their people, improve their sustainability and strengthen their grassroots delivery network. Support will include:

- leadership/management programmes for senior managers of partner organisations; expert advice on governance, commercial and structural issues;
- provision of tools and resources supporting good practice in the delivery of sport and recreation; and
- targeted one-on-one support to improve organisational performance management, particularly around reporting, monitoring and evaluation.

Outcome 2: Strong partners that consistently deliver

HOW WILL SPARC DEMONSTRATE THAT WE HAVE STRONG PARTNERS THAT CONSISTENTLY DELIVER?

Inputs	Outputs 2010/11	Medium-term outcomes (3-5 years)	Long-term outcomes (5+ years)
<p>SPARC will provide capability support, research and advice to selected national sport organisations, recreation organisations, regional sports trusts and other sport and recreation providers to improve the capability of the sector.</p> <p>In 2010/11, SPARC's investment levels in its partners are budgeted to be:</p> <ul style="list-style-type: none"> • \$450,000 invested in capability workshop and seminar programmes. • \$1.85m invested directly in partners to build capability. • \$300,000 invested in good practice tools, advice, research and resources. 	<p>SPARC will deliver programmes, resources and services that contribute to increased partner capability.</p> <p>Regional sports trusts and national sport organisations will provide information on how they are contributing to SPARC's outcomes. This will enable us to track the effectiveness and efficiency of programmes, resources and services from 2011 onwards.</p> <p>Performance measures for 2010/11 are:</p> <ol style="list-style-type: none"> 1. Fifteen seminar programmes delivered to the sector to increase the sector's knowledge and skills in administrative and organisational matters. 2. Organisational capability assessments for five national sport organisations to identify where those organisations can be strengthened. 3. Capability support is provided to 10 national sport organisations to improve their sustainability and organisational performance. 	<p>An improvement in the financial performance and health of our partners.</p> <p>Our partners deliver their agreed outcomes more consistently.</p> <p>Progress towards these outcomes will be tracked using annual accounts from partners and SPARC's partner management system, and SPARC's organisational development tool.</p> <p>The SPARC Organisational Development Tool is a software tool that supports the development of successful and sustainable sport and recreation organisations by:</p> <ul style="list-style-type: none"> • providing a comprehensive 'Warrant of Fitness' to help identify priority areas for improvement; • establishing a single national standard framework for development and capability work; • providing a simple way of measuring improvements; and • creating a shared centre of good practice resources. 	<p>Our long-term outcome is to have strong partners that consistently deliver, as measured by an increase in the percentage of agreed outcomes that our partners deliver.</p>

Outcome 3: More Kiwis winning on the world stage

WHAT ARE WE SEEKING TO ACHIEVE?

We want New Zealand's most talented athletes and teams to be identified and developed to win on the world stage. We want to give our athletes a competitive advantage to convert silver and bronze medals into gold, and top-five placings into podium finishes. We want New Zealand's performance at the 2012 London Olympics, and the performance of the Black Caps, Silver Ferns and All Blacks to reflect this competitive advantage.

OPERATING ENVIRONMENT

Despite New Zealand's improving high performance results, it remains a challenge for New Zealand athletes to win on the world stage. This is because of increasing costs (international competition, global recruitment market), our comparatively small pool of athletes, and less access to expertise and resources than larger nations.

To be competitive we need to identify those athletes and sports with the best chance of performing well on the world stage. We then need to target them for success through proactive case management, world-class coaching and support, and world-class training facilities.

WHAT WILL WE DO TO ACHIEVE THIS OUTCOME?

Government has committed an extra \$45 million over the next three years to high performance sport. A dedicated high performance Board at SPARC will oversee the extra spend, creating a step change in the way high performance sport is structured and delivered in New Zealand.

As part of the step change, SPARC will work with an athlete-centred philosophy, where athletes' needs are managed proactively. SPARC will case-manage New Zealand's top athletes to provide the flexibility to maximise their performance and allow them to focus on training full time. This approach will ensure athletes' interests are placed first, and that each athlete has a tailored plan supported by SPARC, the national sport organisation, the New Zealand Olympic Committee, the New Zealand Academy of Sport and other parties.

This athlete-centred approach will give our top athletes priority access to SPARC's GoldMine technology and innovation initiative, which is supported by a generous donation from Sir Stephen Tindall. The GoldMine initiative will use research, technology and innovation to ensure our athletes arrive at the start line with a competitive advantage.

We will also invest strategically in high performance sporting infrastructure to ensure our elite athletes can train in world-class facilities. We will be a cornerstone investor in these facilities, and develop partnerships with the private sector to leverage the Government's investment. We will support our investment by ensuring national sport organisations and the New Zealand Academies of Sport have governance and management capability, and we will help them improve their business processes by sharing good practice.

We will focus on:

- developing the high performance sports system through use of cutting-edge innovation and technology, getting more world-class experts involved in the system, and investing in national sport organisations, talent development and athlete support;
- developing world-class training facilities and centres of excellence throughout New Zealand through partnerships with the private sector, including establishing the Millennium Institute of Sport and Health as the recognised national training centre; and
- delivering results at the Summer and Winter Olympics, Paralympic Games, world cups, world championships and other pinnacle events.

Outcome 3: More Kiwis winning on the world stage

HOW WILL SPARC DEMONSTRATE THAT WE ARE GETTING MORE NEW ZEALANDERS WINNING ON THE WORLD STAGE?

Inputs	Outputs 2010/11	Medium-term outcomes (3-5 years)	Long-term outcomes (5+ years)
<p>SPARC will provide investment, capability support and leadership for New Zealand's high performance system through national sport organisations and the New Zealand Academies of Sport.</p> <p>In 2010/11, SPARC's investment levels in its partners are budgeted to be:</p> <ul style="list-style-type: none"> • \$22m committed to the development of high performance facilities. • \$4.5m invested in Performance Enhancement Grants for our top athletes. • \$4.25m granted as Prime Minister's Sport Scholarships. • \$13m invested in nine targeted high performance programmes. • \$5m distributed to high performance sport projects through a contestable fund. • \$2m invested in technology and innovation to give our athletes a competitive edge. • \$3m invested in talent development initiatives to identify and bring on the next generation of elite athletes. • \$6.2m invested in the New Zealand Academies of Sport to provide services to high performance athletes. 	<p>SPARC will purchase programmes, resources and services that contribute to more Kiwi winners on the world stage.</p> <p>In 2010/11 we will meet the following performance standards:</p> <ol style="list-style-type: none"> 1. Development of high performance facilities underway at MISH and National Ocean Water Sport Centre (Takapuna). 2. Approach agreed for development of a centre of excellence for cycling. 3. At least 30 elite athletes engaged in a new 'one-stop shop' that provides coordinated and personalised support. 4. At least 160 elite athletes meet the qualifying criteria to receive performance enhancement grants (PEGs) to train towards high performance success. 5. At least 250 Prime Minister's Athlete Scholarships awarded. 6. At least 50 Prime Minister's Coaches, Officials and Support Personnel Scholarships awarded. 7. Nine targeted sports deliver high performance programmes to a standard set and monitored by SPARC. 8. Six national sport organisations deliver high performance projects through contestable funding to a standard set and monitored by SPARC. 	<p>An improvement in the rankings of New Zealand athletes and teams.³</p> <p>An increase in the number of athletes and teams who are ranked in the top 16 in the world.</p> <p>An improvement in the quality of national sport organisations' high performance programmes.</p> <p>An increase in the number of high performance athletes who have access to world-class support services and training facilities.</p> <p>Progress towards these outcomes will be tracked via regular surveys, reviews and SPARC's partner management systems.</p>	<p>Our long-term outcome is more Kiwi winners on the world stage.</p> <p>Progress towards this outcome will be monitored via results of New Zealand athletes and teams in targeted events.</p>

³ Qualifying criteria for PEGs require a top 16 placing at a PEG Qualifying Event in an Olympic discipline for individual athletes or a top 3 placing at a PEG Qualifying Event in a non-Olympic sport for an individual athlete.

Organisational capability

SPARC actively manages its people, processes and technology to ensure it maintains the organisational capability to deliver high quality sport and recreation outcomes to New Zealanders.

Managing our people and being a good employer

In accordance with section 118 of the Crown Entities Act 2004, SPARC seeks to meet its good employer obligations by providing for:

- good and safe working conditions;
- an equal employment opportunities (EEO) programme;
- the impartial selection of suitably qualified people for appointment; and
- opportunities for individual employees to enhance their abilities.

An organisational review in July and August 2009 has aligned SPARC's structure with the revised strategic direction outlined in the 2009-2015 Strategic Plan. The resulting restructuring achieved a 10% reduction in staff numbers and improved organisational efficiency.

SPARC monitors its performance as a good employer through regularly monitoring staff engagement levels.

In 2010/11, SPARC will implement a new performance management process which will assess staff performance against indicators set out in SPARC's business plan and its strategic plan.

Improving our systems

SPARC continues to improve the quality and performance of our organisational processes and systems. In 2010/11 we will:

- improve our measurement of how our investments and initiatives impact on sport and recreation outcomes for New Zealanders by developing sector monitoring tools;
- improve our systems for managing physical and electronic records by implementing a new electronic document and records management system; and
- complete the development of a database of high performance sport.

Managing our technology

Physical technology assets such as servers, desktops and laptops are leased.

All information and technology-based software developments and projects are managed through a three-year rolling Information Systems Plan. Implementation of this plan is monitored by an Information Technology Review Board.

In 2010/11 SPARC will complete the development of its high performance system database and assess its requirements for an electronic document and records management system.

Managing risk

RISK MANAGEMENT FRAMEWORK

SPARC operates a risk management framework that includes oversight by the Audit and Risk Committee of the Board.

CONTRACT AND INVESTMENT MANAGEMENT

Each year, SPARC manages over \$80 million of contracts and investments with sport and recreation organisations, and third-party service delivery agencies. SPARC manages these contracts and investments through a Partner Relationship Management System that provides us with a single view of all our contracts and investment arrangements, including a single picture of all future financial commitments. All investment by SPARC is subject to quality assurance processes and all contracts are managed in accordance with internal guidelines.

RELATIONSHIP MANAGEMENT

SPARC has a dedicated team of Relationship Managers which monitor risks and opportunities in the sport and recreation sector. The Partner Relationship Management System is used to organise and process information about all our relationships with sector organisations. This allows us to engage with stakeholders consistently, efficiently and in a timely manner.

Reporting to the Minister

The Board of SPARC will provide the Minister for Sport and Recreation with annual and six-monthly reports on SPARC's operations and its progress towards meeting agreed performance targets. The Board will report quarterly on the activities of the new High Performance Board. SPARC will comply with the reporting requirements set out in the Crown Entities Act 2004, including giving notice to the Minister before acquiring subsidiaries or shares.

Prospective financial information

For the years 2009-2013

Financial overview

SUMMARY OF KEY FINANCIAL POINTS

These financial forecasts show significant variances between initial budgets and actual expenditure incurred both within years and between years. This is due to significant changes in SPARC's activities over the last 18 months including the cessation of Mission-On programmes, the transfer of Green Prescription programmes to the Ministry of Health and the development of the KiwiSport Regional Development Fund.

As a result of high performance sport initiatives recently announced by the Prime Minister, Crown funding for high performance sport has also risen significantly in 2010/11 and out years.

In addition, SPARC has also completed a restructure and review of its activities and finances. This has seen a large reduction in programme support costs and SPARC costs from the budget to the forecast in the 2009/10 financial year. There is expected to be a much smaller increase in both programme support and SPARC costs in 2010/11 due largely to the expansion of high performance sport initiatives, including the GoldMine, that will provide an increased level of service support to the sport sector.

SPARC is forecasting \$29.5 million in public equity at 30 June 2010. This accumulation of funds has resulted from the cessation of Mission-On programmes and a Cabinet decision to allow SPARC to hold any unspent Mission-On funding to apply over a three-year period to the new KiwiSport initiative which was established in 2009/10. A further contributory factor is that SPARC will be holding \$9.5 million of funds from a one-off distribution from the New Zealand Lottery Grants Board, received in 2009/10, to be applied to high performance sports facilities in 2010/11. We are forecasting that public equity will be reduced to a level of approximately \$5 million from 2013.

Following a recent change in the formula of funding SPARC receives from the New Zealand Lottery Grants Board, future lottery revenues have also been projected at lower levels. Under the new formula, SPARC will also be required to hold sufficient reserves to manage fluctuations in revenue from the New Zealand Lottery Grants Board.

Prospective cost of service by output class

SPARC is funded by the Crown from three output classes:

- Sport and recreation programmes (a general appropriation);
- High performance sport (an appropriation dedicated to high performance sport); and
- Prime Minister's Sport Scholarships (an appropriation dedicated to scholarships for athletes, coaches, officials and support staff).

A fourth output class (Children and Young People's lifestyles) was removed in the 2009 Budget.

OUTPUT CLASS: SPORT AND RECREATION PROGRAMMES

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
Crown funding	15,678	16,279	16,709	19,376	19,376	19,376
Other operating revenue	38,159	37,373	37,161	31,150	31,150	31,150
Total revenue	53,837	53,652	53,870	50,526	50,526	50,526
Less expenses						
– Programme investment	40,318	46,214	34,816	42,407	42,437	39,515
– Programme support	9,928	11,007	5,230	5,897	5,605	5,847
– SPARC costs	6,878	9,220	6,607	6,806	6,887	6,903
Total expenses	57,124	66,441	46,653	55,110	54,929	52,265
Net operating surplus / (deficit)	(3,287)	(12,789)	7,217	(4,584)	(4,403)	(1,739)

Major variations in the level of operating revenues and expenditures between years are explained as follows:

REVENUE

Crown funding reductions associated with the transfer of the Green Prescription programme from SPARC to the Ministry of Health were completed in 2010. Crown funding of sport and recreation programmes is stable at \$19.376 million from 2011.

Other operating revenue reduces from 2011 as SPARC no longer receives contract funding for delivery of Stage Challenge and the Green Prescription programme, the latter having been transferred to the Ministry of Health. New Zealand Lottery Grants Board funding is also reduced as a result of recent funding formula changes.

EXPENDITURE

The increase in expenditure for sport and recreation programmes between 2008/09 and that budgeted for 2009/10 was to establish a new KiwiSport programme during 2009/10. The KiwiSport programme development phase had not been finalised when 2010 budgets were estimated and the actual programme roll-out has differed from that initially budgeted. Mission-On funds held for KiwiSport implementation will now be applied over a three-year period rather than fully expended in 2010.

Programme investment and programme support costs reductions forecast for 2010 reflect the transfer of the Green Prescription programme to the Ministry of Health for which expenditure had been budgeted.

Higher levels of programme investment in 2011 and 2012 reflect extra KiwiSport investment funded by previously accumulated Mission-On funds.

OUTPUT CLASS: HIGH PERFORMANCE SPORT

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
Crown funding	37,499	38,338	38,638	48,338	53,338	58,338
Other operating revenue	0	0	9,525	5,262	500	500
Total revenue	37,499	38,338	48,163	53,600	53,838	58,838
Less expenses						
– Programme investment	32,924	31,880	34,401	58,725	47,609	52,065
– Programme support	2,917	2,996	2,405	3,697	4,161	4,656
– SPARC costs	2,532	3,275	2,429	2,693	2,776	2,837
Total expenses	38,373	38,151	39,235	65,115	54,546	59,558
Net operating surplus / (deficit)	(874)	187	8,928	(11,515)	(708)	(720)

Major variations in the level of operating revenues and expenditures between years are explained as follows:

REVENUE

Crown funding increases significantly from 2011 as a result of the high performance sport initiatives recently announced by the Prime Minister.

Unbudgeted other operating revenue in 2010 is an additional distribution from the New Zealand Lottery Grants Board.

Other operating revenue budgeted in 2011 includes a final distribution from the New Zealand Lottery Grants Board and from 2011 also reflects private philanthropic contributions to SPARC's GoldMine high performance technology programme.

EXPENDITURE

The \$9.5 million received from the New Zealand Lottery Grants Board in 2009/10 will be invested in high performance sport facilities in the 2010/11 financial year.

OUTPUT CLASS: PRIME MINISTER'S SCHOLARSHIPS

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
Crown funding	4,250	4,250	4,250	4,250	4,250	4,250
Other operating revenue	0	0	0	0	0	0
Total revenue	4,250	4,250	4,250	4,250	4,250	4,250
Less expenses						
– Programme investment	4,096	4,250	3,951	4,250	4,250	4,250
– Programme support	0	0	0	0	0	0
– SPARC costs	0	0	0	0	0	0
Total expenses	4,096	4,250	3,951	4,250	4,250	4,250
Net operating surplus / (deficit)	154	0	299	0	0	0

There are no major variations in the level of operating revenues and expenditures between years requiring explanation.

OUTPUT CLASS: CHILDREN AND YOUNG PEOPLE'S LIFESTYLES (MISSION-ON)

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
Crown funding	15,733	0	0	0	0	0
Other operating revenue	0	0	0	0	0	0
Total revenue	15,733	0	0	0	0	0
Less expenses						
– Programme investment	532	0	0	0	0	0
– Programme support	5,612	0	0	0	0	0
– SPARC costs	0	0	0	0	0	0
Total expenses	6,144	0	0	0	0	0
Net operating surplus / (deficit)	9,589	0	0	0	0	0

Major variations in the level of operating revenues and expenditures between years are a result of the Government's decision to cease the Mission-On programme with effect from 1 July 2009.

Prospective financial statements for the years 2009-2013

PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
REVENUE						
Crown funding	73,160	58,867	59,597	71,964	76,964	81,964
New Zealand Lottery Grants Board	30,890	30,890	43,254	35,262	30,500	30,500
Contract revenue	6,143	5,333	2,668	0	0	0
Interest received	1,016	1,000	718	600	600	600
Sundry revenue	110	150	46	550	550	550
Total operating revenue	111,319	96,240	106,283	108,376	108,614	113,614
COST OF SERVICES						
Programme investment	77,870	82,344	73,168	105,382	94,296	95,830
Programme support	18,457	14,003	7,635	9,594	9,766	10,503
SPARC costs	9,410	12,495	9,036	9,499	9,663	9,740
Total operating expenditure	105,737	108,842	89,839	124,475	113,725	116,073
Net operating surplus / (deficit)	5,582	(12,602)	16,444	(16,099)	(5,111)	(2,459)
Loss on disposal of assets	69	0	18	0	0	0
Net profit / (loss)	5,513	(12,602)	16,426	(16,099)	(5,111)	(2,459)
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	5,513	(12,602)	16,426	(16,099)	(5,111)	(2,459)

As a result of changes in government priorities, and transfers and changes to programmes that SPARC provides, there have been significant differences between initial budgets and actual expenditure incurred both within years and between years.

These differences in expenditure, and associated revenue, have been previously described at a more detailed output class level on pages 19 to 21.

In summary, the cessation of Mission-On programmes and the transfer of the Green Prescription programme to the Ministry of Health has reduced Crown funding and contract revenue levels, and associated programme investment and programme support costs.

An increase in programme support costs and SPARC costs is forecast for 2010/11 associated mainly with increased support for high performance technology and innovation (GoldMine).

Additional unbudgeted distributions from the New Zealand Lottery Grants Board were received in 2010, but \$9.5 million is being held until 2011 when it will be invested in the development of high performance sports facilities.

Additional expenditure on the KiwiSport Regional Development Fund will be funded from accumulated public equity through until 2012. From 2013, SPARC's revenue sources and expenditure are forecast to stabilise.

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	14,322	5,607	31,440	11,673	8,170	6,207
Trade and other receivables	636	75	23	1,771	883	883
Prepayments	0	0	0	0	0	0
Inventories	199	300	170	100	50	50
Total current assets	15,157	5,982	31,633	13,544	9,103	7,140
NON-CURRENT ASSETS						
Property, plant and equipment	1,249	1,114	1,107	975	839	701
Intangible assets	361	576	333	956	972	512
Total non-current assets	1,610	1,690	1,440	1,931	1,811	1,213
Total assets	16,767	7,672	33,073	15,475	10,914	8,353
LIABILITIES						
CURRENT LIABILITIES						
Trade and other payables	2,412	3,744	2,419	884	1,468	1,398
Revenue received in advance	290	256	256	222	189	156
Employee benefits	733	715	861	932	932	932
Provisions	221	0	0	0	0	0
Total current liabilities	3,656	4,715	3,536	2,038	2,589	2,486
Total liabilities	3,656	4,715	3,536	2,038	2,589	2,486
Net assets	13,111	2,957	29,537	13,437	8,325	5,867
Represented by:						
Public equity	7,598	15,559	13,111	29,536	13,436	8,326
Total comprehensive income	5,513	(12,602)	16,426	(16,099)	(5,111)	(2,459)
Total public equity	13,111	2,957	29,537	13,437	8,325	5,867

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
Opening public equity	7,598	15,559	13,111	29,536	13,436	8,326
Total comprehensive income	5,513	(12,602)	16,426	(16,099)	(5,111)	(2,459)
Closing public equity	13,111	2,957	29,537	13,437	8,325	5,867

PROSPECTIVE STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 30 JUNE 2009 - 2013

	Actual 2009 \$000	Budget 2010 \$000	Forecast 2010 \$000	Budget 2011 \$000	Budget 2012 \$000	Budget 2013 \$000
CASH FLOW FROM OPERATING ACTIVITIES						
Cash inflows						
Receipts from Crown revenue	73,160	58,867	59,597	71,964	76,964	81,964
Receipts from other revenue						
- New Zealand Lottery Grants Board	30,890	30,890	43,254	35,262	30,500	30,500
- Contract Revenue	6,217	5,333	2,667	0	0	0
- Sundry Revenue	841	150	149	800	550	550
Interest received	1,006	1,000	664	600	600	600
Total cash inflows	112,114	96,240	106,331	108,626	108,614	113,614
Cash outflow						
Payments to suppliers						
- Programme investment	79,672	81,344	72,971	106,132	94,296	95,830
- Other payments	18,409	16,335	8,958	8,841	8,432	8,882
Total payments to suppliers	98,081	97,679	81,929	114,973	102,728	104,712
Payments to employees	9,151	9,750	8,512	10,153	10,316	10,629
Interest paid	0	0	0	0	0	0
Goods and services tax (net)	649	294	(1,471)	2,277	(1,487)	102
Total cash outflows	107,881	107,723	88,970	127,403	111,557	115,443
Net cash inflow / (outflow) from operating activities	4,233	(11,483)	17,361	(18,777)	(2,943)	(1,829)
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	1,239	40	52	30	30	30
Purchase of intangible assets	150	600	207	960	530	105
Disposal of fixed assets	0	0	(16)	0	0	0
Net cash inflow / (outflow) from investing activities	(1,389)	(640)	(243)	(990)	(560)	(135)
Net increase / (decrease) in cash held	2,844	(12,123)	17,118	(19,767)	(3,503)	(1,964)
Opening cash balance as at 1 July	11,478	17,730	14,322	31,440	11,673	8,170
Closing cash balance as at 30 June	14,322	5,607	31,440	11,673	8,170	6,206
MADE UP OF						
Cash and cash equivalents	14,322	5,607	31,440	11,673	8,170	6,207
Total cash and cash equivalents	14,322	5,607	31,440	11,673	8,170	6,207

Statement of accounting policies

PURPOSE

The prospective 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 prospective financial statements to evaluate SPARC's financial prospects and to assess actual financial results prepared in future reporting periods against the prospective financial statements.

The information in these prospective financial statements may not be appropriate for purposes other than those described.

REPORTING ENTITY

Sport and Recreation New Zealand (SPARC) is a Crown agent as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. SPARC's ultimate parent is the New Zealand Crown.

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. SPARC's primary objective is to provide public services to the NZ public, rather than make a financial return.

Accordingly, SPARC has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS').

These prospective financial statements for SPARC are for the years ending 30 June 2009 through to 30 June 2013 and were approved by the Board on 18 June 2010.

STATEMENT OF COMPLIANCE

The prospective financial statements of SPARC have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ('NZ GAAP').

The prospective financial statements comply with NZ IFRS, including FRS 42 'prospective financial statements' and other applicable Financial Reporting Standards appropriate for public benefit entities.

MEASUREMENT BASE

The prospective financial statements have been prepared on a historical cost basis, except where modified by the revaluation of certain items of property, plant and equipment, and the measurement of equity investments and derivative financial instruments at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of SPARC is the New Zealand dollar.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements SPARC has made estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

It should be noted that actual financial results achieved for any of the periods covered by these prospective financial statements are likely to vary from the information presented, and the variations may be material.

The Board is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The basis and appropriateness of the estimates and assumptions used in preparing the prospective financial statements are those which the Board reasonably expect to occur in respect of those actions the Board reasonably expects to take as at 18 June 2010, the date on which the prospective financial statements have been authorised for issue by the Board.

SIGNIFICANT ASSUMPTIONS

Crown revenue for 2010/11 has been confirmed and is the basis for estimated Crown revenue in 2011/12 and 2012/13.

New Zealand Lottery Grants Board funding has been estimated for the 2010/11, 2011/12 and 2012/13 years based on projected profits of New Zealand lotteries and SPARC's agreed share of them.

It is assumed that SPARC's business model and staffing levels will not significantly change in each of the financial years. All significant assumptions surrounding expenditure have been based on historical data, existing business practices or actual business plan projections for each financial year.

SIGNIFICANT ACCOUNTING POLICIES

REVENUE

Revenue is measured at the fair value of consideration received or receivable.

REVENUE FROM THE CROWN

SPARC is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of SPARC meeting its objectives as specified in the forecast service performance on pages 8 through 15.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

OTHER GRANTS

Non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

INTEREST

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

GRANT EXPENDITURE

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where SPARC has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the grants approval committee and the approval has been communicated to the applicant.

SPARC has disclosed all grant expenditure within these prospective financial statements as 'Programme Investments'.

LEASES

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to SPARC are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income.

Lease incentives received are recognised in the statement of comprehensive income over the lease term as an integral part of the total lease expense.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks both domestic and international, and other short-term, highly liquid investments, with original maturities of 12 months or less.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are stated at their expected realisable value after providing for doubtful and uncollectable debts.

INVESTMENTS

BANK DEPOSITS

Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method.

For bank deposits, impairment is established when there is objective evidence that SPARC will not be able to collect amounts due according to the original terms of the deposit. During the periods covered by these prospective financial statements SPARC has not calculated any impairment on any bank deposits.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS, HEDGING ACTIVITIES AND FOREIGN CURRENCY TRANSACTIONS

SPARC has neither been exposed or intends to be exposed to any derivative financial instruments during the periods covered by these prospective financial statements. SPARC has not adopted hedge accounting.

SPARC does not hold any foreign currency cash, cash equivalents or bank deposits. Any foreign currency transactions (payments to foreign organisations) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment asset classes consist of leasehold improvements, plant and equipment, computer hardware, and furniture and fittings.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

SPARC does not own any land or buildings and does not account for any revaluations of property, plant and equipment.

DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost of the assets to their estimated residual values over their useful lives. The depreciation rates and useful lives associated with major classes of assets have been estimated as follows:

Audio visual equipment	3 to 5 years	(20-33%)
Furniture and fittings	5 to 10 years	(10-20%)
Office equipment	5 to 10 years	(10-20%)
Computer equipment	3 years	(33%)

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

INTANGIBLE ASSETS

SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by SPARC are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with the development and maintenance of SPARC's website are recognised as an expense when incurred.

AMORTISATION

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of comprehensive income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	3 years	(33%)
Developed computer software	3 years	(33%)

CREDITORS AND OTHER PAYABLES

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

EMPLOYEE ENTITLEMENTS

SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee entitlements that SPARC expects to be settled within 12 months of balance date are measured at undiscounted nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned, but not yet taken at balance date and sick leave.

SPARC recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

LONG-TERM EMPLOYEE ENTITLEMENTS

SPARC does not have any employee entitlements that are payable beyond 12 months.

GOODS AND SERVICES TAX (GST)

All items in the prospective financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis.

INCOME TAX

SPARC is a public authority in terms of the Income Tax Act 2007 as provided for in the Sport and Recreation New Zealand Act 2002 and consequently is exempt from the payment of income tax.

COST ALLOCATION

Within the statement of comprehensive income costs have been disclosed as programme investment, programme support or SPARC costs. In reference to the above allocation system, these categories of expenditure can be further defined as being:

- Programme investment costs are costs directly attributable to an output.
- Programme support costs are a combination of a) costs directly attributable to an output and b) indirect costs allocated to an output based on cost drivers appropriately linking those indirect costs to an output.
- SPARC costs are those indirect costs not otherwise allocated to an output as programme support costs, namely those costs for the provision of corporate administration and support services.

Since the date of the last prospective financial statements there have been some changes to the cost allocation methodology, whereby the cost drivers for the allocation of indirect costs (especially personnel and other operating costs) to programme support costs have been amended so as to better reflect the activity and linkage of these indirect costs being attributable to the delivery of SPARC's programmes.

The budget comparatives for the year ended 30 June 2010 have been restated to reflect the above mentioned changes within the cost allocation methodology, resulting in total programme support costs budgeted for 2009/10 decreasing \$4.347 million to \$14.003 million, while SPARC costs budgeted for 2007/08 have increased \$4.347 million to \$12.495 million.

There have been no changes to the cost allocation methodology since the date of the last prospective financial statements.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies since the date of the last audited financial statements, other than the impact of New Zealand International Financial Reporting Standards. These policies have been applied on a basis consistent with previous years.

Appendix

Functions of SPARC

FUNCTIONS

The functions of the Agency are to:

- (a) develop and implement national policies and strategies for physical recreation and sport;
- (b) allocate funds to organisations and regional bodies in line with its policies and strategies;
- (c) promote and advocate the importance of participation in physical activity by all New Zealanders for their health and well-being;
- (d) promote and disseminate research relevant to physical recreation and sport;
- (e) provide advice to the Minister on issues relating to physical recreation and sport;
- (f) promote and support the development and implementation of physical recreation and sport in a way that is culturally appropriate to Maori;
- (g) encourage participation in physical recreation and sport by Pacific peoples, women, older New Zealanders and people with disabilities;
- (h) recognise the role of physical recreation and sport in the rehabilitation of people with disabilities;
- (i) facilitate the resolution of disputes between persons or organisations involved in physical recreation and sport;
- (j) work with schools, regional, central and local government, and physical recreation and sport organisations to ensure the maintenance and development of the physical and organisational infrastructure for physical recreation and sport;
- (k) 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;
- (l) provide advice and support for organisations working in physical recreation and sport at national, regional and local levels;
- (m) facilitate co-ordination between national, regional and local physical recreation and sport organisations;
- (n) represent the Government's policy interests in physical recreation and sport internationally.



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