



NZ Lottery Grants Board

TE PUNA TAHUA

Distributor of NZ Lottery Profits

Report of the New Zealand Lottery Grants Board – *Te Puna Tahua*

Annual Report

for the year ended 30 June 2007



Presented to the House of Representatives pursuant to Section 295 of the Gambling Act 2003.



New Zealand Lottery
Grants Board
TE PUNA TAHUA

for the year ended 30 June 2007

ANNUAL REPORT



Minister of Internal Affairs

WELLINGTON

In accordance with section 295 of the Gambling Act 2003, I present the report of the New Zealand Lottery Grants Board and of each distribution committee for the 12 months ended 30 June 2007 together with a copy of the accounts of the Profits of New Zealand Lotteries for the same period, certified by the Auditor-General.

ANNUAL ACCOUNTS

The New Zealand Lottery Grants Board is required to produce an annual report by section 295 of the Gambling Act 2003, and is a Crown entity for the purposes of sections 150(3), 154–156 and 158 of the Crown Entities Act 2004. As such, it is required to prepare its financial statements and an audit report in accordance with those provisions, and the annual report must be tabled in the House.

The role of the Board is to determine the proportions in which the profits of New Zealand lotteries are allocated for distribution. New Zealand lotteries were conducted throughout this financial year under section 238 of the Gambling Act 2003 by the New Zealand Lotteries Commission. The profits of New Zealand lotteries are paid by the New Zealand Lotteries Commission into a bank account established and operated under section 286 of the Gambling Act 2003. Grants and miscellaneous expenditure are paid out of this account.

The Board has prepared its financial statements in accordance with section 154 of the Crown Entities Act 2004 and also the final audit report for the year ended 30 June 2007 in accordance with section 156 which is included in this document.

Annette Offenberger
Acting Secretary for Internal Affairs

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CONTENTS

4	New Zealand Lottery Grants Board Presiding Member's Report
8	Secretary's Report
11	Governance and Accountability Statement
13	Lottery Grants Board Committee Structure
15	Lottery Specialist Committees
16	Community Facilities Fund
18	Environment and Heritage
20	Health Research
22	Marae Heritage and Facilities
24	Outdoor Safety
26	Minister's Discretionary Fund
28	Lottery Community Committees
32	National Community Committee
36	Individuals with Disabilities Subcommittee
38	Pacific Provider Development Fund Subcommittee
41	Regional Community Committees
44	Auckland
46	Bay of Plenty/Gisborne
48	Canterbury/Kaikoura
50	Hawke's Bay
52	Manawatu-Whanganui
54	Northland
56	Otago/Southland
58	Taranaki
60	Waikato
62	Wellington/Wairarapa
64	West Coast/Nelson-Marlborough
67	Statutory Bodies
71	Financial Statements
72	Profits of New Zealand Lottery Grants Board
80	Profits of New Zealand Lotteries



IN THE LAST TWENTY YEARS, NZ LOTTERIES HAS CONTRIBUTED A TOTAL OF \$2.3 BILLION TO THE NEW ZEALAND LOTTERY GRANTS BOARD. TO MARK THE OCCASION, JOHN GOULTER, CHAIRMAN OF NEW ZEALAND LOTTERIES PRESENTED A SYMBOLIC CHEQUE TO THE HON RICK BARKER, MINISTER OF INTERNAL AFFAIRS IN SEPTEMBER 2007.

NEW ZEALAND LOTTERY GRANTS BOARD

Te Puna Tahua

BOARD MEMBERS

Hon Rick Barker
Minister of Internal Affairs
(*Presiding Member*)

Ann Hartley MP
(*Prime Minister's Representative*)

Sandra Goudie MP
(*Leader of the Opposition's Representative*)

Phil Harington
(*Community Representative*)

Margaret Mohi
(*Community Representative*)

Garth Nowland-Foreman
(*Community Representative*)

VISION Making a positive difference in New Zealand communities.

Arā kē noa atu ngā painga ka puta ki ngā papakāinga o Aotearoa

MISSION/TE WHAKATAKANGA To ensure empowered communities, community well-being and a sense of nationhood, and Treaty of Waitangi obligations are fulfilled.

Ki te āta titiro ka whakamanatia ngā hapori, ka whai oranga te hapori me te whai i te whakaaro he iwi; ā ka whakatutukingia ngā herenga o Te Tiriti o Waitangi.

KAUPAPA The New Zealand Lottery Grants Board recognises the aspirations and needs of Māori, and their protocols.

E whakatau ana Te Puna Tahua i ngā wawata me ngā hiahia o te iwi Māori, me ō rātou tikanga.

OUTPUTS

In 2006/2007, the Lottery Grants Board allocated:*

\$40,386,998 to the Lottery Community Committees. Within this, funds were allocated to:

- Regional Community Committees: \$22,092,012**
- National Community Committee: \$11,902,709

There are two subcommittees of the Lottery National Community Committee which were allocated:

- Individuals with Disabilities Subcommittee: \$6,036,794
- Pacific Provider Development Fund Subcommittee: \$355,483

Lottery Specialist Committees were allocated funds as follows:

- Environment and Heritage: \$8,364,925
- Health Research: \$2,816,000
- Marae Heritage and Facilities: \$7,072,510
- Outdoor Safety: \$7,315,000
- Minister's Discretionary Fund: \$315,516

Statutory Bodies were allocated funds as follows:

- Sport and Recreation New Zealand: \$30,890,000
- Creative New Zealand: \$21,310,000
- New Zealand Film Commission: \$9,009,455 and \$693,035 for the New Zealand Film Archive.

* For more detail on the allocation, and purpose of each committee see the committee reports that follow in this document.

** For more detail on individual Regional Community Committee allocations see pages 41-65.



Hon Rick Barker
Minister of Internal Affairs
(*Presiding Member*)

PRESIDING MEMBER'S REPORT

It was pleasing to see further growth in the funds available for distribution to New Zealand communities this year. The new Lottery distribution committee structure introduced in 2004 (see page 13) is now well-established. Increased Lottery profits have enabled the reactivation of the Lottery Community Facilities Fund, and other new developments are planned for 2007/2008. The Board has also resolved to improve its effectiveness as a grantmaker, and is seeking to become a 'leading edge' funder by laying the foundations for an outcomes-approach to Lottery funding.

Increase in Lottery Profits

Lottery profits continued to rise rapidly during 2006/2007, reaching a record high – the highest profit in the New Zealand Lotteries Commission's 20-year history. Lottery profits were more than \$8 million higher than in 2005/2006.

A sum of \$128.2 million was provided by NZ Lotteries for allocation by the New Zealand Lottery Grants Board in 2006/2007, of which \$66.3 million was allocated to the 20 Lottery distribution committees, and \$61.9 million to the statutory bodies (Creative New Zealand, Sport and Recreation New Zealand (SPARC), and the New Zealand Film Commission), to which the Board contributes funding.

Outcomes Focus

As the Board makes the transition towards outcomes-focused funding, work on a strategic framework to guide funding decisions has progressed well this year. Through Lottery grants the Board will be seeking the greatest community benefit possible, while also looking to minimise disparity between communities.

Alignment with committee priorities is a key factor in funding decisions, and a more flexible approach to the policy guidelines is being encouraged. Funding policies will be reviewed in light of the move towards outcomes-focused funding. As a start to this process the Board has revised its general funding policies around the funding of vehicles, and salary grant thresholds may be exceeded to enhance project outcomes.

Lottery Community Facilities Fund

The reactivation of the Lottery Community Facilities Fund has been an opportunity to reorient the Fund towards a community-cohesion outcome. Funding is provided for many types of facilities that encourage participation in community activities and social interaction. The Fund's main emphasis is support for facilities open to use by the wider community for a range of services and activities.

Collaboration with Philanthropy New Zealand

The Board has continued its collaboration with other grantmakers through its membership of Philanthropy New Zealand. Through their attendance at the **Philanthropy Matters Conference** in March 2007, Lottery Grants Board Members and Presiding Members of the Lottery distribution committees were able to link with representatives of New Zealand's grantmaking philanthropic sector, and hear from overseas specialists in the grantmaking field.

A highlight of the year was the special workshop for Presiding Members held with Kathleen Enright of Grantmakers for Effective Organisations (USA), one of the keynote speakers at the **Philanthropy Matters Conference**. This workshop identified a range of areas where the Lottery Grants Board could alter its approach to improve access to, and increase the impact of, its funding.

Looking Forward

As it moves to fully implement an outcomes focus, the Board will be seeking to ensure Lottery grants are responsive to community needs and contribute to the building of strong, sustainable communities.



Hon Rick Barker
Minister of Internal Affairs
Presiding Member, New Zealand Lottery Grants Board

SECRETARY'S REPORT

Operation of Committees

As Lottery profits have increased it is pleasing that there has also been an increasing number of applications to the Lottery Grants Board (LGB). There were 4572 applications received in 2006/2007, 532 more than in 2005/2006. It is also pleasing that applicant satisfaction surveys continue to rate the LGB's administration highly.

As a result of the recent steady increase in profits the Board was able to reactivate the Lottery Community Facilities Fund this year. The Board is also developing further initiatives for future years.

The Presiding Members' Policy Advisory Group continues to provide valuable support to the Lottery Grants Board. The Group worked with overseas expert, Kathleen Enright from Grantmakers for Effective Organisations (USA) at its meeting in March 2007. At this meeting, the Group identified many worthwhile development areas, a number of which are being progressed as part of the work to develop the Board's outcomes focus approach.

Outcomes Focus Strategic Framework

Implementing an outcomes framework is a means of ensuring that Lottery grants will be responsive to community wants and needs, operating consistently within the provisions of the Gambling Act 2003, and provide value for money in delivering benefit to the community.

The LGB is currently developing an Outcomes Focus Strategic Framework for the operation of Lottery grants. This project has involved consultation with Board members, Presiding Members, Distribution Committee members, Department of Internal Affairs staff and other key stakeholders.

Workshops to develop thinking around an outcomes focus framework were held in the early half of 2007. The information obtained at these workshops provided an important steer to the development of the initial framework.

The outcomes framework will be influential at a number of points in the grant-making process. These include:

- at the point of strategic decision-making and planning,
- when considering funding allocation to the various Lottery funding streams,
- when funding applications are made,
- when funding applications are assessed,
- when undertaking performance review and monitoring.

Development of the outcomes focus logic model and decision-making framework will continue into the 2007/2008 year, along with preparation for its implementation. Changes will be required to align Lottery funding decision criteria, operational policies and delivery mechanisms with the outcomes. It is expected that the new strategic framework will take one to two years to bed in. After that a period of review and refinement is expected.

Public Relations Highlights

Raising the profile of Lottery grants and informing the community about how and to whom the profits of New Zealand state lotteries are distributed continues to be a key focus.

The Communications teams of the New Zealand Lotteries Commission (NZ Lotteries) and the Department continue to build a closer working relationship and develop new public relations opportunities. Lottery grants messages are now included at the bottom of Lotto tickets and regional projects funded by Lottery grants are highlighted in joint promotional posters displayed in Lotto retail outlets nationwide.

Presiding Members have highlighted the need for greater local promotion of Lottery grants. A new communication initiative was trialled with NZ Lotteries in the Bay of Plenty region of Tauranga. In mid-June 2007 NZ Lotteries' retailers visited two successful Lottery grant recipients - the School for Young Parents and the Maungatapu Marae. Positive feedback from the retailers' group reinforced what an informative day it had been, for all those involved, about the connections between Lottery grants funding and the profits generated by NZ Lotteries. It is intended that this programme will be rolled out nationally over the coming year.

Publications

A new-look **Lottery Grants Record** was produced featuring successful Lottery grant recipients in 2005/2006. This publication includes information on the recipient and amount of each grant. Ten tailored **Lottery Grants Record** packages were distributed through the Department's offices and Lotto outlets nationwide, as well as public access organisations like libraries and Citizens Advice Bureaux. A **Lottery Grants Record** readership survey was conducted for the first time. Feedback results indicated respondents found the Lottery Grants Record publication easy to read (91.5%) and that it contains useful information (89.2%) as well as interesting stories (86.8%).

Other publications material produced to support Lottery grants included: a revised version of **Lottery Grants for Community and Voluntary Groups** and a revamped fact sheet about Lottery grants. These were published for distribution through the Department's regional offices, Citizens Advice Bureaux, funding forums and workshops, and other public events.

Promotion

A range of Lottery promotional support materials has been produced for Lottery committees and regional Departmental staff to use at funding expos, seminars and other promotional activities. All the materials are printed with the Lottery Grants Board logo and carry the Grants Online website and the 0800 freephone number. Items included calendars, pens, mouse pads and eco-bags.

Media

Media releases were distributed throughout the year highlighting a range of Lottery grant activities. A number of photo opportunities were also organised, which resulted in positive coverage.

Newspaper was the prominent media that covered Lottery grants stories. About 455 newspaper clippings featuring Lottery grants were collected, up from 314 last year. Lottery Outdoor Safety, Environment and Heritage, and Community Committees all feature strongly.

Marketing Strategy

Work has begun on developing a marketing strategy plan aimed at raising awareness of Lottery grants, strengthening the relationship with NZ Lotteries and increasing the number of funding applications, where this is required.

The first stage of workshops to assist with research development of the Lottery grants marketing strategy started in March 2007 involving the Presiding Members' Policy Advisory Group. Similar workshops were also held during June with Lottery committee representatives and Departmental staff.

The intended outcome of the sessions is to gain insights into perceptions of the challenges, priorities and expectations for Lottery grants in the future. The workshop used a technique called 'Appreciative Inquiry', which facilitates positive and aspirational "what do we want" insights.

Grant Monitoring

	Number of Audits & Investigations Undertaken	Number of Investigations Completed	Number of Grants Not Complying
Planned Audits	55	55	10
Allegations/ Field Referrals	12	10	7

Ten grants were identified during planned audits as non-compliant with spend; five grants had not been fully spent as at 12 months, four groups were unable to provide adequate records to support payments and one group had spent the grant on an approved purpose but not that which the committee had specified. These breaches were reported to Local Government and Community Branch management, within the Department of Internal Affairs.

Twelve investigations for misuse of Lottery funding were undertaken, with seven resulting in findings of non-compliance. Two investigations are continuing.

No other allegations/field referrals received during the period warranted investigation.

Grants Online

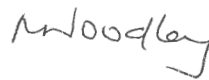
The number of applications submitted online has remained steady. This year, over half of the applications were received online. Feedback from users indicates that Grants Online is of benefit to applicants.

Satisfaction Surveys

A National Research Bureau survey conducted on Lottery clients' level of satisfaction with the service provided by the Department in its administration of Lottery grants indicated a high level of satisfaction (97%-100%) across the service aspects covered.

The Lottery Committee Members' Satisfaction Survey showed that all respondents rated their level of satisfaction with the quality of advisory services and the quality of administration services as satisfactory or better.

The Department is continually looking at ways to further improve our service to applicants.



Morag Woodley
Secretary
New Zealand Lottery Grants Board

GOVERNANCE AND ACCOUNTABILITY STATEMENT

The Lottery Grants Board is governed by the Gambling Act 2003*, to distribute the profits of New Zealand state lotteries, such as Lotto and Instant Kiwi, for community purposes and for specified statutory purposes. The Board is authorised to approve allocations only to:

- distribution committees established by the Minister responsible for the Lottery Grants Board to distribute Lottery profits for community purposes,
- the Minister responsible for the Lottery Grants Board for distribution for community purposes,
- three specified statutory bodies – Sport and Recreation New Zealand (SPARC), Creative New Zealand and the New Zealand Film Commission – for expenditure in accordance with their own Acts.

The Board determines general policies and issues general directions with which the distribution committees must comply. The Lottery Grants Board has adopted a number of governance protocols that express its expectations of members. The Board monitors the operations of the committees and the provision of administration services, including the investment of undistributed lottery profits by the Secretary for Internal Affairs.

The Lottery Grants Board and the distribution committees are not part of the Crown and are not subject to direction by Government. Although the Board and the committees are not bound by Government policy, they do take it into account where the Board or a committee considers it to be relevant and appropriate.

Distribution Committees

The Minister responsible for the Lottery Grants Board has established 18 distribution committees, and there are also two subcommittees. See page 13.

Each distribution committee distributes grants for a specified range of community purposes. They determine their own priorities for funding, while complying with general Board policies and directions. These policies are reviewed annually. The committees determine the frequency of their distribution meetings. Most committees schedule three or four distribution meetings each year but some have one funding round.

The distribution committees comprise five members each, who are appointed by the Minister responsible for the Lottery Grants Board for terms of up to three years. Three Board members appointed by the Governor-General from the community are responsible for liaising with specific distribution committees. Each attends committee meetings as an observer. The Board also includes two ex-officio members representing the Prime Minister and Leader of the Opposition. The Gambling Act 2003 authorises distribution committees to delegate decisionmaking powers to subcommittees.

A policy advisory group comprising the presiding members of distribution committees and the Board liaison members provides advice to the Lottery Grants Board on strategic and policy issues, and promotes consistent Lottery grants policy development.

Distribution of Lottery Funding

Lottery funds are raised from all sections of the community, and the distribution committees endeavour to ensure Lottery grants are equitably distributed to demographic and geographic communities throughout the country. Lottery grants are not government funds and thus do not fund services for which central and local government agencies are responsible. Instead, Lottery grants fund initiatives developed by the community to meet needs identified by the community. These initiatives include

* The Gambling Act 2003 came into effect on 1 July 2004 and replaced the Gaming and Lotteries Act 1977. This Act allows lottery profits to be distributed for community purposes – to contribute to the building of strong sustainable communities. The needs of Māori, Pacific and other ethnic communities, women, older people, youth and people with disabilities are also considered.

many developmental activities or services which neither government nor the private sector will provide, but which are sufficiently valued by the community for members to be prepared to voluntarily contribute labour, money or materials. The committees recognise that participation in community initiatives builds a sense of belonging and upskills individuals while providing services and activities tailored to the needs of particular communities.

When assessing an application, Lottery distribution committees consider:

- the value of, or the need for the project or service,
- the level of community support (as demonstrated by fund-raising, voluntary labour and donated materials),
- the applicant's ability to undertake the work and, where appropriate, to sustain the project or service in the long term.

Care is taken to ensure that Lottery funding is granted to sustainable projects and that unrealistic expectations of future funding are not raised.

Statutory Bodies

In accordance with Board policy, the Board allocates guaranteed minimum percentages of its annual income from the New Zealand Lotteries Commission to SPARC, Creative New Zealand, the New Zealand Film Commission and (through the New Zealand Film Commission) to the New Zealand Film Archive. The guaranteed minimum percentages are:

SPARC	20%
Creative New Zealand	15%
New Zealand Film Commission	6.5%
New Zealand Film Archive	0.5%

SPARC is accountable to the Minister for Sport and Recreation for the distribution and expenditure of its Lottery funding. Creative New Zealand and the New Zealand Film Commission are accountable to the Minister for Arts, Culture and Heritage for the distribution and expenditure of their Lottery allocations.

The New Zealand Film Archive is a charitable trust, which is a client of the New Zealand Film Commission.

Administration of Lottery Grants

The Lottery Grants Board does not employ staff. Instead, the Board, Lottery distribution committees and their subcommittees, and the Minister of Internal Affairs' Discretionary Fund are serviced by the Department of Internal Affairs. The Board is consulted on the annual administration budget before this is approved by the Minister of Internal Affairs. The Board is also consulted on the range of services purchased from the Department. These services are specified in an annual Memorandum of Understanding between the Minister of Internal Affairs and the Secretary for Internal Affairs.

SPARC, Creative New Zealand and the New Zealand Film Commission have separate administrations.

The Lottery Grants Board does not hold Accounts. Instead, the Secretary for Internal Affairs operates the bank account into which all Lottery profits are paid and is responsible for the investment of undistributed Lottery profits. All allocations, grants, administration costs and other miscellaneous expenditure specified in the Act are paid for from this account.

NZ Lottery Grants Board Distribution of Funds

