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# Statement Of Performance Expectations

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2014/15



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# Contents

## Ngā ihirangi

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### Overview

Tirohanga whānui	4
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### Statement of expected non-financial performance

Ngā tauākī whakaritenga koutu kore pūtea	5
Attitudes to the arts	5
Outcomes	6
Health of the arts sector	7
Strategic improvement priorities	8
Service delivery areas	10
Analysis of our outcome and service delivery results	10
Investing in the arts	10
Developing the arts	12
Advocating for the arts	14
Minister's priorities for Creative New Zealand	15
Health and capability of Creative New Zealand	16

### Statement of expected financial performance

Ngā tauākī whakaritenga tohu pūtea	17
Statement of accounting policies	17
Forecast financial statements	23
Statement of forecast financial performance	24
Statement of forecast comprehensive income	25
Statement of forecast changes in equity	25
Statement of forecast financial position	26
Statement of forecast cash flow	27

# Overview

## Tirohanga whānui

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Creative New Zealand is the trading name of the Arts Council of New Zealand Toi Aotearoa, established by the Arts Council of New Zealand Toi Aotearoa Act 2014.

We are New Zealand's arts development agency, responsible for delivering government support for the arts.

We are funded through Vote: Arts, Culture and Heritage and through the New Zealand Lottery Grants Board (NZLGB) to deliver on agreed arts outcomes for New Zealanders. Our monitoring department is the Ministry of Culture and Heritage.

Creative New Zealand operates under one central government output expense: Promotion and Support of Arts and Film. Creative New Zealand has one output class: Promotion and support of the arts.

In 2014/15, Creative New Zealand will receive:

- \$15,689,000 through Vote: Arts, Culture and Heritage; and
- an estimated \$31,500,000 from the NZLGB.<sup>1</sup>

This Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the year ahead. It is produced in accordance with section 149E of the Crown Entities Act 2004.

We will report against the non-financial performance measures and financial forecasts in this document in our Annual Report.



**R S Grant**

Chairman, Arts Council

10 June 2014



**James Wallace**

Member, Arts Council

10 June 2014

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<sup>1</sup> Creative New Zealand receives 15 percent of the total profits from the Lotteries Commission, through the NZLGB. Projected totals are based on 'stretch targets' provided by the NZLGB in its Statement of Intent 2013-16. Funding from the NZLGB will not be confirmed for 2014/15 until at least August 2014.

# Statement of expected non-financial performance

Ngā tauākī whakaritenga koutu kore pūtea

## Attitude to the arts

Our vision is ‘Dynamic and resilient New Zealand arts, valued in Aotearoa and internationally’. At the highest level, we believe that we will be successful in achieving our vision if:

- New Zealanders have positive attitudes to the arts, engage the arts and perceive New Zealand arts to be high quality. These three aspects contribute to New Zealanders valuing the arts
- the arts sector is resilient and producing dynamic arts.

To measure attitudes to the arts, engagement and perceptions of quality, we will use data from the three-yearly New Zealanders and the arts survey. The survey is undertaken for Creative New Zealand by an independent market research company every three years and results will be compared with those from 2005, 2008 and 2011.

Measures to do with the resilience of the sector and producing dynamic arts are addressed under Health of the arts sector measures (below).

### Output Class

Promotion and support of the arts

### What’s intended to be achieved

Creative New Zealand Vision - Dynamic and resilient New Zealand arts, valued in Aotearoa and internationally

Measure	Past results			Estimate	Projections
	2005	2008	2011	2014	2017
New Zealanders attitudes to the arts - percentage who agree with the following statements in the survey	75%	75%	75%	Maintain or increase	Maintain or increase
The arts are strong in New Zealand	75%	76%	76%	Maintain or increase	Maintain or increase
The arts should receive public funding	77%	79%	76%	Maintain or increase	Maintain or increase
The arts help define us as New Zealanders	76%	79%	80%	Maintain or increase	Maintain or increase
My community would be poorer without the arts	73%	72%	69%	Maintain or increase	Maintain or increase
The arts contribute positively to our economy	74%	70%	73%	Maintain or increase	Maintain or increase
Level of engagement with the arts; attendance and participation	88%	86%	85%	Maintain or increase	Maintain or increase
Percentage of attendees who rate their most recent experience of New Zealand arts as high-quality	New question in 2014 survey			60%	Maintain or increase

## Outcomes

Creative New Zealand's four outcomes describe the long term changes in society that it intends to contribute to through its services. The four outcomes have remained substantially unchanged since 2007 and, during 2012 and 2013, were confirmed as remaining valid and appropriate through the consultation on our Strategic Plan 2013–16.

Further information on our four outcomes and what we do to support them is included in our Statement of Intent 2014–18.

### What's intended to be achieved

Outcome 1: New Zealanders participate in the arts

Outcome 2: High-quality New Zealand art is developed

Outcome 3: New Zealanders experience high-quality arts

Outcome 4: New Zealand arts gain international success

Measure	Note	Past results				Estimate 2013/14	Projections			
		2009/10	2010/11	2011/12	2012/13		2014/15	2015/16	2016/17	2017/18
Outcome 1: Level of actual participation in projects/events funded by Creative New Zealand.	1	New measure 2014/15					Baseline to be created 2014/15	Maintain or increase	Maintain or increase	Maintain or increase
Outcome 2: Number of new NZ works developed		247	287	319	267	360	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Outcome 3: Level of actual attendance at presentations funded by Creative New Zealand	2	617,960	599,994	622,945	701,615	710,000	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Outcome 4: International presentations and events over time - \$ invested, number of presentations, number of presenting individuals/organisations			2,506,134	4,238,943	3,839,763	4,000,000	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
		Data not available	128	144	129	135	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase

1 Dependent on successful GMS implementation. 'Participation' is defined as "the direct involvement of individuals, groups and/or communities in making or presenting art."

2 Currently limited to paid tickets from Tōtara and Kahikatea investment clients with a continuous work programme. To be extended to other clients and types of attendance as systems permit.

## Health of the arts sector

Most of what we do is support artists, arts practitioners and arts organisations to create and present art so, for us to be successful, the arts sector must be healthy. A healthy sector involves:

- strong arts organisations offering programmes covering a wide variety of artforms and cultural focus throughout the country
- vibrant arts works being developed and presented by individuals and organisations
- strong relationships between artists and arts organisations and their audiences
- the taking of artistic risks
- public appreciation of the arts and their value.

Creative New Zealand believes that the success of the organisations in the Tōtara and Kahikatea investment programmes provides a proxy for the health of the arts sector as a whole. Measures in the table below will be based on the six-monthly reporting from these organisations, with aggregated reporting starting in 2013/14.

### What's intended to be achieved

To understand the key trends and patterns that indicate the arts sector is healthy (as measured by proxy through the Tōtara and Kahikatea investment programme clients)

Measure	Note	Past results				Estimate	Projections			
		2009/10	2010/11	2011/12	2012/13		2013/14	2014/15	2015/16	2016/17
Percentage of grants and investment organisations that meet/exceed expectations in their funding agreements		94%	96%	97%	97%	97%	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Key trends and progress of investment organisations including: <ul style="list-style-type: none"> <li>▪ Leveraged return on Creative New Zealand's investment</li> <li>▪ Entry/departure and risk patterns for the portfolio</li> <li>▪ Number (headcount/FTE) of artists employed</li> <li>▪ Success of Māori and Pasifika organisations</li> <li>▪ Investment by artform, region, cultural focus</li> </ul>		New measure – aggregated reporting on the Tōtara and Kahikatea investment clients (also committed to in the Strategic Plan 2013–16)				First report published September 2014	Maintain or increase	Maintain or increase	Maintain or increase	

## Strategic improvement priorities

In 2012 and 2013, Creative New Zealand consulted with the sector and the general public on the strategic direction for the next three years. The Strategic Plan 2013–16 is the result of that work and identifies a number of key priorities and projects which are to be the focus of operations during this period.

The following measures are taken from the Strategic Plan

### What's intended to be achieved

Meeting the performance milestones from the Strategic Plan 2013-16

Measure	Note	Past results	
		2009/10	2010/11
Improvements to decision-making timeframes	1	New Measure 2014/15	
Implementation of grants management system	1	New Measure 2014/15	
Improved results in the customer satisfaction survey		New Measure	63% overall satisfaction 75% quality of most recent interaction
Creation of online advocacy resources		New Measure 2013/14	
Ongoing involvement in the recovery of the arts in Christchurch (Earthquake recovery budget)		New Measure	667,532
Ongoing involvement in the Auckland Arts and Culture Strategic Action Plan		New Measure 2013/14	



Past results		Estimate	Projections			
2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
New Measure 2014/15			Quick response 6→ 5 weeks Arts grants 12→ 11 weeks	Quick response 5→ 4 weeks Arts grants 11→ 10 weeks Kahikatea 12→ 11 weeks Tōtara 12→ 11 weeks	Quick response TBC Arts grants 10→ 9 weeks Kahikatea 11→ 10 weeks Tōtara 11→ 10 weeks	TBC
New Measure 2014/15			Applications for quick response and arts grants online	Applications for special opportunities, Kahikatea and Tōtara online	All programmes online	
No survey			Improve on 2011 results	No survey		Improve on 2014 results
New Measure 2013/14		Basic advocacy toolkit available online	Extended toolkit available	Extended toolkit available	Extended toolkit available	Extended toolkit available
1,204,136	395,014	Earthquake recovery budget (\$500,000) fully utilised	Earthquake recovery funding budget fully utilised	Earthquake recovery funding budget fully utilised	Earthquake recovery funding budget fully utilised	TBC
New Measure 2013/14		Draft Plan developed	Ongoing Plan implementation	Ongoing Plan implementation	Ongoing Plan implementation	Ongoing Plan implementation

- 1 Creative New Zealand is building and implementing a computerised Grants Management and Customer Relationship System. The system is designed to automate processes that are currently manual, providing for online applications, assessments and reporting. The benefits of the system include reduced costs of processing an application (for customers and Creative New Zealand), shorter decision making timeframes, more transparent processes, more easily accessible information and improved reporting.

Delays to the implementation date for the grants management system have caused consequential delays in these performance measures from the timeframes originally set in the Strategic Plan 2013–16.

## Service delivery areas

### Analysis of our outcome and service delivery results

Each of the outcome and service delivery performance measures listed in the following tables is an aggregated measure applying to all services.

In addition to aggregated results, we are able to analyse our data by the following criteria:

- artform
- region
- funding programme or initiative
- ethnicity of the artist or organisation (where declared)
- cultural focus of the project (where declared).

This enables us to monitor our performance through different lenses and identify gaps in our support (for example the needs of Māori and Pasifika arts and changing demography).

### Investing in the arts

Creative New Zealand provides financial assistance to artists, arts practitioners and arts organisations and their projects.

We do this in a variety of ways:

- Arts Leadership (Toi Tōtara Haemata) and Arts Development (Toi Uru Kahikatea) investment programmes that provide funding for up to five years to significant arts organisations<sup>2</sup>
- Grants and special opportunities, including Arts Grants, Quick Response Grants, and a variety of awards, residencies, bursaries and scholarships that are project-based
- Creative Communities Scheme – a small grants scheme devolved to local councils

- International presentation and exchange initiatives that support the presentation of New Zealand arts internationally
- one-off individual initiatives.

We also provide a number of targeted initiatives including supporting Māori and Pasifika heritage arts, the recovery of the arts in Christchurch, touring to regional centres.

Detailed information on all of the funding programmes is available in the Funding and Programmes Guide available from our website.<sup>3</sup>

In 2014/15, \$43.756 million will be distributed to the community through investments or grants. This is approximately 80 percent of Creative New Zealand's total budgeted expenditure of \$54.4 million. We are often a partial investor only: additional funding or other resources come from local government, other central government agencies, corporate sponsorship, community and gaming trusts, ticket sales, volunteers, private philanthropy and donations.

Since 2009, we have carried out detailed reviews of all of our funding programmes to ensure that they are fit for purpose and complement each other. We now monitor their impact against what they are intended to achieve.

#### Activity

Comprising the Tōtara and Kahikatea Investment programmes; Grants and Special opportunities; Creative Communities Scheme; International presentation and exchange; special initiatives supporting heritage arts, Māori or Pasifika arts, community arts or other defined purposes.

#### What's intended to be achieved

Creative New Zealand funding supports individual professional development opportunities as well as the creation, presentation and distribution of art, across community and professional arts, throughout New Zealand, including the presentation of New Zealand

Measure	Note:	Past results				Estimate	Projections			
		2009/10	2010/11	2011/12	2012/13		2013/14	2014/15	2015/16	2016/17
<b>Effectiveness indicator</b>										
Programme success rates – the extent to which our funding programmes are meeting their defined objectives	<b>1</b>	This is a new measure, introduced in 2014/15, based on specific programme metrics which are currently under development					≥ 90%	≥ 90%	≥ 90%	≥ 90%
Percentage of clients who meet or exceed the expectations of their funding agreements (by programme)		90%	98%	94%	97%	97%	≥ 97%	≥ 97%	≥ 97%	≥ 97%
<b>Service management indicators</b>										
Project completion rate (Grants & special opportunities, Creative Communities Scheme, International)		99%	99%	99%	99%	100%	100%	100%	100%	100%
Proportion of completed projects which are evaluated (Grants & special opportunities, International)		99%	93%	95%	93%	100%	100%	100%	100%	100%
<b>Output trends</b>										
\$ invested		\$32.8 million	\$33.7 million	\$37.0 million	\$36.9 million	\$39.7 million	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Number of grants awarded through Grants and special opportunities, CCS and International	<b>2</b>	540	584	529	460	480	480	480	480	480
Number of organisations in the Investments programmes	<b>2</b>	35	34	34	73	80	83	85	85	85

In addition to the above performance measures, we will report to the Minister on the implementation and results to date of the Tōtara and Kahikatea investment programmes. The report is due in May 2015.

**1** This new measure will be implemented and reported on programme by programme, beginning with the Kahikatea investment programme.

**2** From January 2012, Creative New Zealand introduced the new Tōtara and Kahikatea programmes replacing the former Recurrent Funding programme and the Arts and Sector Investment grants. This has caused a decline in grant numbers and an increase in multi-year funding through the investments programmes.

2 Referred to as the Tōtara and Kahikatea programmes.

3 [www.creativenz.govt.nz](http://www.creativenz.govt.nz)

## Developing the arts

We assist arts organisations and individual artists and practitioners to deliver their work in the best possible way, by building their skills and capability, including in community engagement.

Capability development initiatives are reviewed annually and currently include:

- strategic planning and strategic change
- audience development and market development programmes, aimed both nationally and internationally
- applying audience research
- a pilot programme to build skills around diversifying sources of income from fundraising and sponsorship
- initiatives to meet the specific needs of Māori and Pasifika arts practitioners.

In 2011/12, we undertook a comprehensive review of our capability building services. As a result, we implemented a new programme from January 2013, prioritising capability building initiatives that:

- are based on the needs of client organisations (as identified through an organisational development modelling tool)
- focus on needs that other suppliers cannot meet
- respond to changing artform needs, to cultural and demographic drivers, to audience interests and to the specific needs of any at-risk organisations
- build on market and audience intelligence
- encourage collaboration and draw on the experience of successful organisations and individuals.

Each year, we survey the organisations in our investment programmes and compare the results, year on year, of those which have participated in our capability building initiatives. The survey (the ODM survey) is used to assess the effectiveness of the initiatives we provide to the arts sector.

We have budgeted \$1.58 million for developing the arts in 2014/15.

### Activity

Skills building, audience and market development, fundraising

### What's intended to be achieved

Creative New Zealand provides support to develop the capability of arts organisations to manage their organisations, raise funds and understand and engage with their audiences

Measure	Note	Past results				Estimate	Projections			
		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Effectiveness indicator</b>										
Percentage of those participating in capability building courses who improve their skills as a result (from the annual ODM survey)		New measure 2012/13			77%	80%	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
<b>Service management indicators</b>										
Proportion of participants who find the capability-building initiatives to be relevant/ helpful/effective (from post initiative survey)		90%	90%	97%	97%	97%	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
<b>Output trends</b>										
\$ invested		\$1,094,258	\$1,302,151	\$1,126,522	\$1,505,842	\$1,730,180	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Number of capability-building initiatives delivered to the sector		31	57	32	45	31	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Number of person-days of workshop-based capability-building initiatives delivered		554	500	218	903	400	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Number of participants in experiential capability-building initiatives		New measure		128	107	100	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase

## Advocating for the arts

We advocate on behalf of the arts to central and local government and to other interested parties.

Our advocacy work includes carrying out policy development and research for the benefit of the arts sector, delivering other resources to the sector, making submissions on issues affecting the sector or Creative New Zealand and collaborating with other agencies on areas of mutual interest. A key part of this work is our input into planning for the Christchurch recovery.

All Creative New Zealand staff play a role in advocating for and promoting the arts. Because of this, the only costs budgeted for advocacy are for external charges, including contractors. We have budgeted \$330,000 in 2014/15, including the costs of the 2014 version of the *New Zealanders and the arts survey*.

## Activity

Advocating for the arts

### What's intended to be achieved

Creative New Zealand provides research and resources to the arts sector and advocates for the arts, particularly to government and local government

Measure	Note	Past results				Estimate	Projections			
		2009/10	2010/11	2011/12	2012/13		2013/14	2014/15	2015/16	2016/17
<b>Effectiveness indicator</b>										
The arts sector is using available resources as indicated by the website usage		New measure	446,334 unique page views	419,549 unique page views	436,540 unique page views	≥ 450,000 unique page views	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
<b>Output trends</b>										
\$ invested	<b>1</b>		\$54,737	\$194,854	\$363,278	\$132,631	\$212,500	Maintain or increase	Maintain or increase	Maintain or increase
Number of research projects and other resources delivered to the sector			2	2	6	3	3	Maintain or increase	Maintain or increase	Maintain or increase
Number of submissions made to government or local government on arts matters		New measure	4	14	7	3	3	Maintain or increase	Maintain or increase	Maintain or increase

**1** The three-yearly peaks in the investment reflect the costs of the three-yearly *New Zealanders and the arts survey*

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## Minister's priorities for Creative New Zealand

In addition to the four Government priorities, the Minister for Arts, Culture and Heritage sets specific annual priorities for us in his annual Letter of Expectations, including the following priorities that are not already covered elsewhere in this Statement of Performance Expectations:

- continuing to work with the sector to identify and respond to emerging trends and opportunities for using digital technology in the arts
- supporting the arts sector contribution to the wider government programme to mark the centenary of the First World War, both nationally and internationally
- in June 2015, reporting on progress in developing and implementing our advocacy strategy and diversity policy
- addressing outstanding issues raised by Audit New Zealand in its management reports each year
- in collaboration with the Ministry for Culture and Heritage, completing a shared policy and funding framework for initiatives for young people and the arts provided by professional and community arts organisations
- implementing strategies to improve the effectiveness of government investment in contemporary popular music
- by January 2015, reporting jointly with the Ministry for Culture and Heritage on the implementation of the review of the orchestral sector, including completing an agreed new funding and monitoring framework.

We will report against these priorities in our Annual Report.

## Health and capability of Creative New Zealand

In order to deliver its services, meet the strategic improvement commitments made in the Strategic Plan, support a healthy arts sector and achieve both its outcomes and vision, Creative New Zealand needs to be an effective manager of its internal resources, policies and processes.

To measure our progress we will use a mixture of internal reviews and milestones, and external benchmarking.

### What's intended to be achieved

Meeting the performance measures and milestones from the Strategic Plan 2013/16

Measure	Note	Past results			Estimate	Projections			
		2009/10	2010/11	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Successful transition to new governance structure (effective 1 May 2014)		N/A			1 November 2014 report to the Minister on how the Council is working	N/A			
Planned policy reviews and successful implementation of policy		New measure			Strategic Plan milestones for policy reviews Six monthly implementation reporting to Arts Council				
Internal reviews of process and policy against standards		New measure			Individual external standards/best practice				

### Benchmarking against state sector colleagues

Benchmarking Administrative and Support Services		Trends being developed			Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Audit management rating		Good	Good	Very good	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase
Management control		Good	Very good	Very good					
Financial systems		Good	Good	Good					
Service performance information		Good	Good	Good					
Best Workplaces survey – overall performance index		76.3%	76.8%	70.2%	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase	Maintain or increase



# Statement of expected financial performance

Ngā tauākī whakaritenga tohu pūtea

## Statement of accounting policies

For the year ending 30 June 2015.

### 1. Reporting entity

The Arts Council of New Zealand Toi Aotearoa was established on 1 July 1994 by the Arts Council of New Zealand Toi Aotearoa Act 1994. The Council has chosen to operate under the name Creative New Zealand.

Creative New Zealand is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled in New Zealand. Creative New Zealand's ultimate parent is therefore the New Zealand Crown.

Creative New Zealand's purpose, as defined under the Arts Council of New Zealand Toi Aotearoa Act 2014, is to encourage, promote and support the arts in New Zealand for the benefit of all New Zealanders.

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

### 2. Statement of compliance

These forecast financial statements are prepared in accordance with the requirements under Financial Reporting Standard 42 Prospective Financial Statements and sections 141 and 142 of the Crown Entities Act 2004.

The forecast financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to IFRS and other applicable financial reporting standards as appropriate for public benefit entities.

### 3. Measurement base

These forecast financial statements have been prepared on an historical cost basis, except where modified by the revaluation of land and buildings, works of art and investment property.

The accrual basis of accounting has been used, unless otherwise stated.

### 4. Functional and presentation currency

These forecast financial statements are presented in New Zealand dollars (\$) and are rounded to the nearest thousand dollars (\$000). The functional currency of Creative New Zealand is the New Zealand dollar.

### 5. Accounting policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied consistently to all periods presented in these forecast financial statements.

#### 5.1 Recognition of revenue and expenditure

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable the economic benefits will flow to Creative New Zealand and the revenue can be reliably measured.

#### REVENUE FROM THE CROWN

Creative New Zealand receives a significant amount of its funding from the Crown. It can use this funding only for the purpose of meeting its objectives as specified in the Statement of Intent.

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

## OTHER GRANTS

Creative New Zealand receives most of its funding from the NZLGB. This is recognised as revenue when it becomes 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.

Revenue received from third parties on the condition that it is used for a particular purpose is recognised in the Statement of Financial Performance only when the funds are spent for the designated purpose. Any unspent funds at the reporting date are included within current liabilities in the Statement of Financial Position, and carried forward to the next financial year.

## INTEREST

Interest income is recognised as it accrues on bank account balances and on-call and short-term deposits, using the effective interest method.

## RENTAL INCOME

Rental income is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease.

### 5.2 Recognition of grants and initiatives expenditure

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

Discretionary grants are those that Creative New Zealand has no obligation to award when it receives the grant application. These grants are recognised as expenditure when Creative New Zealand has approved the grant and communicated the approval to the applicant.

The liability disclosed in the Statement of Financial Position represents financial grants to New Zealand artists and arts organisations committed by Creative New Zealand but not uplifted at the balance date.

When grants that were committed by Creative New Zealand in previous years are no longer required for the purpose for which they were committed, they are retired and recognised as a gain in the Statement of Financial Performance.

During the year, funds may be set aside for projects, known as initiatives, led by the Arts Council or one of the arts boards. If these funds are not fully expended at the end of the financial year, they are carried forward to the next financial year within current liabilities in the Statement of Financial Position.

### 5.3 Foreign currency transactions

Foreign currency transactions 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 and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

### 5.4 Leases

Creative New Zealand leases office premises in Wellington, Auckland and Rotorua, video conferencing equipment, photocopiers, facsimile machines and printers.

These leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are classified as operating leases. Operating lease expenses are recognised in the Statement of Financial Performance on a systematic basis over the period of the lease.

Lease payments are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Financial Performance.

Creative New Zealand does not have any finance lease arrangements.

## 5.5 Cash and cash equivalents

Cash and cash equivalents held by Creative New Zealand include bank balances, on-call bank deposits and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

## 5.6 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, less any provision for impairment.

## 5.7 Debtors and other receivables

Debtors and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. An impairment provision is recognised when there is objective evidence that Creative New Zealand will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into a bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account for receivables.

## 5.8 Property, plant and equipment

Plant and equipment consists of furniture and fittings, leasehold improvements, office equipment, and IT hardware. Plant and equipment is shown at cost, less accumulated depreciation and impairment losses.

### ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Creative New Zealand and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

### DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit.

### SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Creative New Zealand and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

### DEPRECIATION

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold land, at rates that will write off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

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

Furniture, fittings and office equipment	10 years	10% straight line
Computer equipment	4 years	10% straight line
Leasehold improvements (Auckland)	10 years	10% straight line
Leasehold improvements (Wellington)	4.58 years	22% straight line

### 5.9 Works of art

Works of art are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value and at least every three years. Fair value is determined from market-based evidence by an independent valuer. The results of revaluing works of art are credited or debited to an asset revaluation reserve for that class of asset, in the same way as land and buildings.

No attempt has been made to estimate the impact of the revaluation of the artworks in the forecast financial statements.

Works of art are not depreciated as they have an indeterminate useful life and are expected to appreciate in value over time. The carrying values of revalued works of art are assessed annually to ensure that they do not differ materially from the assets' fair values.

### 5.10 Intangible assets

#### SOFTWARE ACQUISITION AND DEVELOPMENT

Acquired computer software licenses 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 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.

#### 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 the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

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

Web portal	4 years	25% straight line
Acquired computer software	4 years	25% straight line
Pivotal – Grants Management and Customer Relationship Management system	6 years	16.67% straight line

### 5.11 Impairment of non-financial assets

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where Creative New Zealand would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Financial Performance.

For assets not carried at a revalued amount, the -total impairment loss is recognised in the Statement of Financial Performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Financial Performance, a reversal of the impairment loss is also recognised in the Statement of Financial Performance.

### 5.12 Financial instruments

Creative New Zealand is party to non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, on-call deposits, short-term deposits, trade and other receivables, and trade and other payables.

Except for those items covered by a separate accounting policy, all financial instruments are initially recognised in the Statement of Financial Position at fair value, and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Creative New Zealand does not use derivative financial instruments.

### 5.13 Creditors and other payables

Short-term creditors and other payables are recorded at their face value. The amounts are unsecured and are usually paid within 30 days of recognition.

## 5.14 Employee entitlements

### SHORT-TERM EMPLOYEE ENTITLEMENTS

Employee entitlements expected 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, retiring and long service leave entitlements expected to be settled within 12 months, time in lieu accrued up to balance date, and sick leave.

Creative New Zealand recognises a liability for sick leave to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent Creative New Zealand anticipates it will be used by staff to cover those future absences.

Creative New Zealand 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

Employee entitlements that are due to be settled beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

Expected future payments are discounted using the weighted average of interest rates for government stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

### 5.15 Superannuation scheme

#### DEFINED CONTRIBUTION SCHEME

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation scheme and are recognised as an expense in the Statement of Financial Performance as incurred.

### 5.16 Goods and services tax (GST)

All items in the financial statements are exclusive of GST, with the exception of accounts receivable and accounts payable, which are stated inclusive of GST. GST not recoverable as input tax is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from, the Inland Revenue Department, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Cash Flow Statement.

Commitments and contingencies are disclosed exclusive of GST.

### 5.17 Income tax

Creative New Zealand is a public authority and consequently is exempt from the payment of income tax, in accordance with the Income Tax Act 2007. Accordingly, no charge for income tax has been provided.

### 5.18 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated funds
- revaluation reserve.

#### REVALUATION RESERVE

This reserve relates to the revaluation of land and buildings and works of art.

## 6. Changes in accounting policies and estimates

There have been no changes in accounting policies since the date of the last audited financial statements, other than the impact of NZ IFRS. These policies have been applied on a basis consistent with previous years.

## 7. Purpose of forecast financial statements

The Statement of Performance Expectations is a public document. It enables the public to have a clear picture of Creative New Zealand, including where it is going, how it intends to get there and how it will know it has arrived. The forecast financial statements form part of the Statement of Performance Expectations. The forecast financial statements form the basis for end-of-year reporting in the financial statements contained in the Annual Report and the basis on which those statements are audited. It is likely that the actual financial statements presented in the Annual Report will differ from the forecast financial statements, and those differences may be material.

## 8. Significant assumptions

The users of these forecast financial statements should note that actual results achieved may differ from these statements

in material ways, as a number of assumptions have been made in compiling these statements.

All significant assumptions relating to expenditure have been based on historical data, existing business practices or actual business plan projections for each financial year.

NZLGB funding has been estimated for the 2014/15, 2015/16, 2016/17 and 2017/18 years, based on the New Zealand Lottery Commission 2013–16 Statement of Intent and the projected income for the 2013/14 financial year.

It is assumed that the timing of baseline funding will be the same for each of the financial years.

The timing of expenditure under Creative New Zealand's funding programmes can be variable after each funding round. A best estimate of the timing of this expenditure has been made, which may vary from the timing of the actual expenditure.

It is assumed that all creditors' terms are net 30 days.

It is assumed that staffing levels will not significantly change in each of the financial years.

## Forecast financial statements

Figures shown in these prospective financial statements have the following bases:

- June 2013 – actual figures from the 2012/13 Annual Report
- June 2014 – forecast based on actual figures at 31 March 2014, as presented to the new Arts Council in May 2014
- June 2015 – draft budget based on the budget approved by the previous Arts Council in August 2013. Because of the changes to the Creative New Zealand governance structure that became effective on 1 May 2014, the new unitary Arts Council has not yet been able to consider and approve this draft.

The new Council will consider the draft budget for June 2015 at its meeting in July 2014, with further iterations in September and October 2014 as the amounts from the NZLGB for 2014/15 are finalised.

The forecast financial statements in this SPE will be updated as the draft budget is finalised.

## Statement of forecast financial performance

For the years ended 30 June 2014 and 30 June 2015.

	ACTUAL June 2013	FORECAST June 2014	BUDGET June 2015
	\$'000	\$'000	\$'000
<b>INCOME</b>			
Vote Arts, Culture and Heritage	15,689	15,689	15,689
New Zealand Lottery Grants Board	31,024	37,379	31,500
Interest income	684	739	500
Grant retirements and gains	335	279	200
Other income	671	14	14
<b>TOTAL INCOME</b>	<b>48,403</b>	<b>54,100</b>	<b>47,903</b>
<b>EXPENDITURE</b>			
Funding	36,936	43,756	38,450
Capability -building	1,506	1,579	1,585
Advocacy	133	330	413
Operating costs			
Salaries and Staff Costs	4,804	4,915	5,073
Research and Policy	34	102	110
Stakeholder Management	29	42	71
Governance and Compliance	771	689	732
IT, Office and Building Costs	1,222	1,329	1,435
Depreciation and Amortisation	391	292	400
Asset revaluation losses	-	-	-
New loss on disposal of non-current assets	13	1,382	-
<b>TOTAL EXPENDITURE</b>	<b>45,839</b>	<b>54,416</b>	<b>48,269</b>
<b>NET OPERATING SURPLUS/ (DEFICIT)</b>	<b>2,564</b>	<b>(316)</b>	<b>(366)</b>



## Statement of forecast comprehensive income

For the years ended 30 June 2014 and 30 June 2015.

	ACTUAL June 2013	FORECAST June 2014	BUDGET June 2015
	\$'000	\$'000	\$'000
<b>NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>2,564</b>	<b>(316)</b>	<b>(366)</b>
Other comprehensive income / (loss)			
Revaluation of land and building	274	(198)	-
Disposal of land and building - revaluation reserve write off through accumulated funds	-	(74)	-
Disposal of land and building - revaluation reserve write off through accumulated funds		74	
Revaluation of works of art	17	-	-
<b>TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)</b>	<b>291</b>	<b>(198)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<b>2,855</b>	<b>(514)</b>	<b>(366)</b>

## Statement of forecast changes in equity

For the years ended 30 June 2014 and 30 June 2015.

	ACTUAL June 2013	FORECAST June 2014	BUDGET June 2015
	\$'000	\$'000	\$'000
<b>TOTAL EQUITY AS AT 1 JULY</b>	<b>9,565</b>	<b>12,420</b>	<b>11,906</b>
Net operating surplus/(deficit) for the year	2,564	(316)	(366)
Other comprehensive income/(loss)	291	(198)	-
<b>TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)</b>	<b>2,855</b>	<b>(514)</b>	<b>(366)</b>
<b>TOTAL EQUITY AS AT 30 JUNE</b>	<b>12,420</b>	<b>11,906</b>	<b>11,540</b>

## Statement of forecast financial position

For the years ended 30 June 2014 and 30 June 2015.

	ACTUAL June 2013	FORECAST June 2014	BUDGET June 2015
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7,645	15,690	16,309
Investments in term deposits	7,500	-	-
Debtors and other receivables			
Income accrual	6,903	8,835	7,400
GST receivable	226	220	220
Interest receivable	106	95	95
Sundry receivables	62	80	80
Prepayments	344	230	230
<b>Total current assets</b>	<b>22,786</b>	<b>25,150</b>	<b>24,334</b>
<b>Non-current assets</b>			
Property, plant & equipment	2,401	550	550
Works of art	1,180	1,180	1,180
Investment property	380	-	-
Intangible assets	720	1,150	1,200
<b>Total non-current assets</b>	<b>4,681</b>	<b>2,880</b>	<b>2,930</b>
	<b>27,467</b>	<b>28,030</b>	<b>27,264</b>

	<b>ACTUAL</b> June 2013	<b>FORECAST</b> June 2014	<b>BUDGET</b> June 2015
	\$'000	\$'000	\$'000
<b>LIABILITIES</b>			
Current liabilities			
Grants payable	13,329	14,200	13,800
Accounts payable	1,449	1,560	1,560
Employee Entitlements	320	328	328
<b>Total current liabilities</b>	<b>15,008</b>	<b>16,088</b>	<b>15,688</b>
<b>Non-current liabilities</b>			
Employee entitlements	39	36	36
<b>Total non-current liabilities</b>	<b>39</b>	<b>36</b>	<b>36</b>
<b>TOTAL LIABILITIES</b>	<b>15,047</b>	<b>16,124</b>	<b>15,724</b>
<b>NET ASSETS</b>	<b>12,420</b>	<b>11,906</b>	<b>11,540</b>
<b>EQUITY</b>			
Accumulated funds	10,977	10,735	10,369
Revaluation reserves	1,443	1,171	1,171
	<b>12,420</b>	<b>11,906</b>	<b>11,540</b>

## Statement of forecast cash flow

For the years ended 30 June 2014 and 30 June 2015.

	ACTUAL June 2013 \$'000	FORECAST June 2014 \$'000	BUDGET June 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Vote Arts, Culture and Heritage	15,689	15,689	15,689
New Zealand Lottery Grants Board	30,631	35,447	32,935
Interest received	676	750	500
Other Income	782	143	214
Net GST received	104	6	-
	<b>47,882</b>	<b>52,035</b>	<b>49,338</b>
<b>Cash was applied to:</b>			
Funding	36,343	42,645	38,950
Capability-building	1,506	1,597	1,585
Advocacy	133	329	413
Salaries and Staff Costs	4,812	4,911	4,973
Research and Policy	34	102	110
Stakeholder Management	29	42	71
Governance and Compliance	871	651	732
IT, Office and Building Costs	1,222	1,142	1,435
Net GST paid	-	-	-
	<b>44,950</b>	<b>51,419</b>	<b>48,269</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2,932</b>	<b>616</b>	<b>1,069</b>

	<b>ACTUAL</b> June 2013	<b>FORECAST</b> June 2014	<b>BUDGET</b> June 2015
	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of non-current assets	-	812	-
Term deposits matured	-	7500	-
	<b>-</b>	<b>8,312</b>	<b>-</b>
<b>Cash was applied to:</b>			
Purchase of non-current assets	484	883	450
Investment in term deposits	7,500	-	-
	<b>7,984</b>	<b>883</b>	<b>450</b>
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(7,984)</b>	<b>7,429</b>	<b>(450)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>(5,052)</b>	<b>8,045</b>	<b>619</b>
<b>Add opening cash brought forward:</b>			
Cash at bank and on hand	43	32	30
Short-term deposits	12,654	7,613	15,660
<b>BALANCE AT END OF YEAR</b>	<b>7,645</b>	<b>15,690</b>	<b>16,309</b>
<b>Represented by:</b>			
Closing cash carried forward:			
Cash at bank and on hand	32	30	30
Short-term deposits	7,613	15,660	16,279
	<b>7,645</b>	<b>15,690</b>	<b>16,309</b>





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